



UAE: ATTRACTIVE M&A HOTSPOT IN 2022

Merger and acquisition transactions in H1 2022 in the UAE summed up to \$12 billion, an increase of 88 % over the same period in 2021 (*Refinitiv's Middle East and North Africa (MENA) Investment Banking Report 2022*). Within the region, UAE ranked first in terms of deal volume with 303 transactions as reported in May 2022. UAE's activity in the first quarter of this year accounted for 46% of all activities in the MENA region with \$4.3 billion in revenue, an increase of 5 percent over last year. The UAE economy has experienced a broad-based recovery and a wave of inbound investment and M&A activity due to the substantial overhaul and liberalization of the foreign ownership regime, as well as the development of visa and long-term residency programs.

Key Industries

UAE's health industry is experiencing an increase in mergers and acquisitions (M&A), with investors showing interest in healthtech and medtech assets. UAE's hospital operator NMC Healthcare's sale to its creditors for \$2.25bn is one of the biggest Mena target M&A deals of the year. The healthcare M&A market is expected to be dominated by more decisive transactions in the near future, with tech-enabled health showing sustained growth. Following this is the financial sector, where 15 percent of activity was acquired in 2022, down from 25 percent the previous year.

The MENA region is experiencing an increase in scale-up mergers and acquisitions. There have been 28 scale-ups acquired by corporates in the region since 2022 (5% of total), with 12 acquisitions in the last year - a clear indication of a growing trend. A majority of these acquisitions (20 out of 28) were made by UAE-based technology scale-ups. There are also seven active UAE-based acquiring companies, according to reports.

According to the UAE's Ministry of Economy, future M&A transactions in the entertainment industry will continue to boost in 2022. Studio and network consolidation will continue this year as companies seek to build content, capabilities, and scale to compete with digital-native organizations that enjoy financial and operational advantages. Cost savings realized through integration will fund future growth investment and boost profits, a key objective as the industry transitions from the stable, high-margin linear world to a streaming ecosystem that drives less-profitable revenue. Asset divestitures will be a key trend in 2022 in which activist investors will play a role in some of these transactions, serving as another catalyst for change.





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Outlook

Despite the challenges brought by the effects of the pandemic, the UAE market still offers M&A opportunities for both buyers and sellers. EY's CEO Survey 2022 reports that two-thirds of Middle Eastern CEOs plan to seek mergers or acquisitions in the next 12 months, with most deals aimed at future-proofing business operations and strategies. 57% of CEOs in MENA said that they are ramping up cross-border investments – significantly more than the 45% global average. EY forecasts continued confidence and momentum in 2022. Key deal themes include continued investments by government-related entities, digitization and technology, and portfolio optimization. M&A transactions in the UAE will also be significantly impacted by the newly announced corporate tax. It is important to consider corporate tax when determining investment structures, developing tax models, and negotiating indemnities and warranties.

While there are opportunities, dealing in a distressed environment carries added risk. When it comes to M&A transactions, it is especially important to plan carefully, conduct due diligence, and negotiate effectively. Strohal Legal Group advises on domestic and cross-border transactions, including private M&A, private equity and venture capital transactions, public and private takeovers, corporate investments, and the formation of consortia, joint ventures, and strategic partnerships. Our managing partner, Jakob Kissler, advises commercial and private clients on M&A projects, corporate law matters, and all aspects of business ventures and investments in the UAE. His many years of experience in the M&A field involved high-profile transactions in the UAE and Austria.



Strohal Legal Group is an international business law firm focusing on the Gulf region (GCC) and Southeast Asia (ASEAN) advising clients on local and cross-border M&A transactions and corporate, business, and labour law matters, company establishments, energy & climate law as well as tax law matters. Through our country desks and partner firms in Austria, the Ukraine, and Russia, the firm is also well connected in Europe.