The National

# Private equity companies at risk from international competition

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Last Updated: Apr 24, 2011



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Ravindranath K / The National

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The outlook for private equity firms in the Middle East is on a knife-edge as investors recoil from an already risky business environment and deals dwindle, leaving little cash for acquisitions.

While 1,004 private equity mergers and acquisitions have taken place worldwide since the start of the year, only eight of those deals took place in the Middle East, according to data from Thomson Reuters. Regional private equity firms must do more to attract investment, said Christophe de Mahieu, the director and a partner at Bain & Company, adding activity was likely to remain "subdued" this year.

The firm estimates regional private equity firms have less than US$5bn (Dh18.36bn) in available "dry powder", or cash reserves kept on hand to finance deal-making.

"Family offices are more and more dynamic in the management of their portfolio," he said. "They're ready to sell non-core business or minority stakes."

But a worsening outlook in the aftermath of unrest in parts of the Middle East had left a number of firms on the sidelines.

Those private equity firms that do have sufficient dry powder to make acquisitions are "in a wait-and-see position", Mr de Mahieu said.

However, some local firms retain their optimism over local opportunities, particularly in UAE real estate.

"We continue to look to invest in this region," Faisal Khan, a principal at Abraaj Capital in Dubai, told Zawya at the Cityscape conference in Abu Dhabi last week. "We've been looking to invest since the beginning of last year".

Private equity firms seeking to offload their assets are finding ways to recoup their investments to be few and far between, although the number of exits is slowly increasing.

Lamprell, the oilfield services company based in the UK, recently signed an agreement to buy Maritime Industrial Services (MIS), based in Dubai.

Alongside the 22.5 per cent of MIS' shares listed on the Oslo stock exchange, a large proportion of the company's stock resides in the hands of buyout firms such as Amwal AlKhaleej and Gulf Capital.

Eye-catching deals such as Mubadala Development's sale of its 49 per cent stake in Manhal Development Company may also give fresh impetus to the sector.

Mubadala is a strategic investment company owned by the Abu Dhabi Government. The deal transfers control of the owner of Paris Sorbonne Abu Dhabi campus to Mubadala Infrastructure Partners, an infrastructure-focused private equity investor sponsored by Mubadala, General Electric and Credit Suisse.

But not all investors have such deep pockets and some appear to have less appetite for risk. One investor at a UAE bank, who asked not to be named, said his company had recently taken a break from investing in private equity because greater opportunities were available elsewhere.

"Fixed income has been giving very good yields and people weren't looking to take a lot of risk," he said. "People don't want to take a risk, especially in real estate, which used to form a major portion of private equity."

However, Mr de Mahieu added the future of regional private equity firms was looking increasingly competitive as international operators that had been interested in China and India increasingly turned their attention to the Middle East.

"To us, it's a question of time," he said. "We expect a renaissance of private equity post-2011 with new players coming into this market," he said.

Local companies would have to show a good track record of value creation and adhere to greater standards of transparency and corporate governance, or risk being sidelined, he added.

Article Report 002

# Title: Private equity companies at risk from international competition

# Newspaper: The National

# Date of publication: 24th. April. 2011

**Pre-reading questions:**

1. What did they do to improve their company?
2. How it rated with the world with equity companies?
3. When do will they find the solution of this risk?
4. Why equity companies still at risk nowadays?

**I think that this article will be about:**

I think it talks about the effect of the equity companies which mean how it affects in international competition. In addition, the businesses in our environment are affected to still at risk in the world, and specific in the Middle East.

**Why did I choose that article?**

Because I’ve just want to know what happen in equity companies. Nowadays, many countries are affected from these companies. This is because of the money crises which it was happen in 2008, so where the main point is affected here between the worlds?

**Summary/opinion:**

 The equity companies have been affected from the whole countries in the world. There are a private company called private equity company wants to find a solution now in 2011 about this problem. However, some local firms retain their optimism over local opportunities, particularly in UAE real estate. This mean here in UAE also affected to be at risk especially in Dubai. I think there is no solution at now about the equity companies which are affected in 2008 until now because of the money crises.

**New Vocabulary:**

1. Acquisitions
2. Equity
3. Sufficient
4. Optimism
5. Conference
6. Proportion
7. Impetus
8. Yield
9. Renaissance
10. transparency

**Additional work:**

 **Is the same as the margin notes!**