

— **INSTINCTIF**

PARTNERS

Investorengewinnung und -pflege in Middle East

6 February 2015

AGENDA

1. Der Mittlere Osten
2. Die Investorenlandschaft verstehen
3. Im Mittleren Osten Geschäfte machen
4. Warum kommen Golf-Investoren nach Deutschland?
5. Wonach suchen sie?
6. Die Medienlandschaft im Mittleren Osten
7. Ihr Zugang zum Mittleren Osten

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1. THE MIDDLE EAST

MIDDLE EAST & NORTH AFRICA (MENA)



The GCC (Gulf Cooperation Council)

- Bahrain
- KSA
- Kuwait
- Oman
- Qatar
- UAE

The Levant

- Jordan
- Lebanon
- Palestine
- Syria

North Africa

- Egypt
- Algeria
- Tunisia

Iraq

A GLIMPSE AT MENA EXCHANGES

GCC

Country	Exchange	Market Cap
<i>Kingdom of Saudi Arabia</i>	<i>Tadawul</i>	<i>USD 509.1 bn</i>
United Arab Emirates	Abu Dhabi Securities Exchange Dubai Financial Market	USD 126.9 bn USD 98.7 bn
Qatar	Qatar Exchange	USD 178.4 bn
Kuwait	Kuwait Stock Exchange	USD 100.6 bn
Bahrain	Bahrain Bourse	USD 53.7 bn
Oman	Muscat Securities Market	USD 25.4 bn

Troubled countries

Country	Exchange	Market Cap
Egypt	Egyptian Exchange	USD 71.5 bn
Lebanon	Beirut Stock Exchange	USD 12.4 bn
Iraq	Iraq Stock Exchange	USD 9.5 bn
Palestine	Palestine Exchange	USD 3.5 bn

MENA: PRIMARY FOCUS GCC

Bahrain

- Population – 1.3m
- GDP per capita – USD 29,800
- Youth unemployment – 5%
- Literacy – 94.6%

Kingdom of Saudi Arabia

- ***Population – 27.3m***
- GDP per capita – USD 31,300
- Youth unemployment – 28.3%
- Literacy – 87.2%

Kuwait

- Population – 2.7m
- GDP per capita – USD 42,100
- Youth unemployment – 11.3%
- Literacy – 93.9%

Oman

- Population – 3.2m
- GDP per capita – USD 29,800
- Literacy – 86.9%

Qatar

- Population – 2.1m
- GDP per capita – USD 102,100
- Youth unemployment – 1.3%
- Literacy – 96.3%

United Arab Emirates

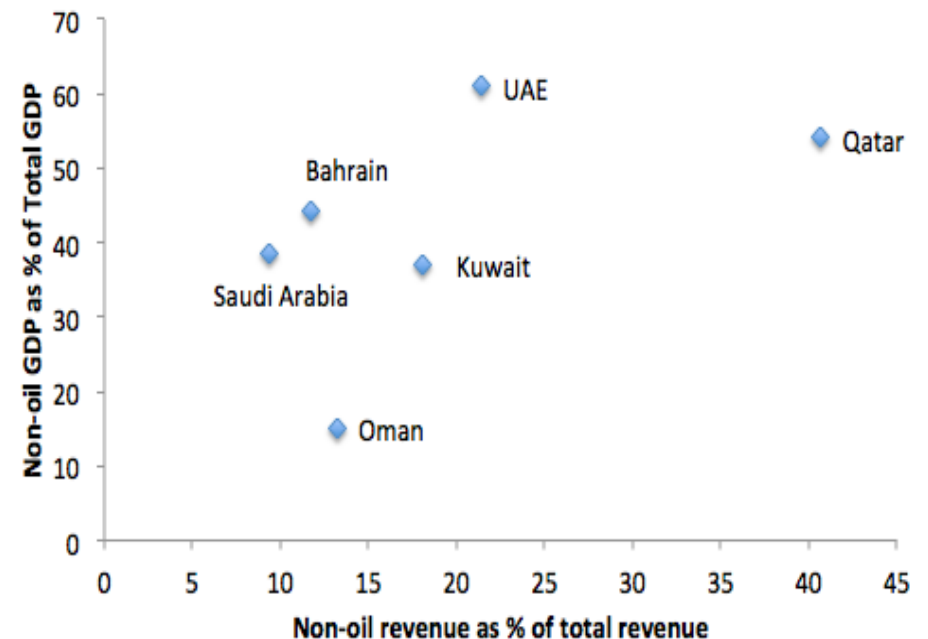
- Population – 5.6m
- GDP per capita USD 29,900
- Youth unemployment – 12.1%
- Literacy – 90%

OIL CRISIS: NOT A PROBLEM... YET

- KSA and UAE will not back down from objective of influencing Russian and Iranian policy
- Oman is the only GCC country with fiscal crisis
- Low production costs (USD 8/barrel in KSA) = medium-term protection
- GCC governments are already addressing subsidies

However

- Forecasters should cut 2015 growth prospects by 1.5 - 2% if oil prices do not improve



GEOPOLITICAL & DEMOGRAPHIC CHALLENGES

- The Middle East has one of the fastest growing populations in the world
 - Grow from **600 million to 1.1 billion by 2050**
- Strong **youth predominance: 40% of total adult population are 15-29 year-olds**
- **KSA**
 - Half of the population are under 25 years old
 - Youth unemployment (28.3%) does not account for women – who do not generally work
- Many countries (**Iraq and Syria**) are conflict zones and unstable
- The Middle East **should not be regarded as a single, homogenous place**



2. UNDER- STANDING THE INVESTOR LANDSCAPE

UNDERLYING THEMES

GCC economies are driven by high public spending on:

- Infrastructure
- Energy
- Defence
- Real Estate
- Tourism
- Economic diversification

Major investors/institutions active within the markets include:

- Sovereign Wealth Funds
- Family Offices
- Private Equity
- (U) HNWI



MEGA PROJECTS

- April 2014: value of GCC construction projects planned/underway had grown 13% on 2013 (Deloitte)
- Saudi Arabia leads the region in spending on construction
 - Approximately USD 1 trillion in projects planned/underway
- The UAE is second
 - Approximately USD 727 billion
- Dubai is investing heavily into tourism ahead of Expo 2020
- Oman's Ras Markaz Oil Storage



LEADING SOVEREIGN WEALTH FUNDS

Country	SWF	Assets
UAE (total 1.1tr+n USD)	Abu Dhabi Investment Authority	773bn USD
	Abu Dhabi Investment Council	90bn USD
	Investment Corporation of Dubai	70bn USD
	Mubadala Development Company	60.9bn USD
	International Petroleum Investment Company	68.4bn USD
	Emirates Investment Authority	15bn USD
	Ras Al Khaimah Investment Authority	1.2bn USD
Saudi Arabia (762.5bn USD)	Saudi Arabia Monetary Agency	757.2bn USD
	Public Investment Fund	5.3bn USD
Kuwait (548bn USD)	Kuwait Investment Authority	548bn USD
Qatar (256bn USD)	Qatar Investment Authority	256bn USD
Oman (19bn USD)	State General Reserve Fund	13bn USD
	Oman Investment Fund	6bn USD
Bahrain (10.5bn USD)	Mumtalakat Holding Company	10.5bn USD

SAUDI ARABIA: PUBLIC SPENDING

Budget for 2015

- Record budget of USD 229bn for 2015 – the largest ever
- King Salman's USD 30bn giveaway
- Major spending on Education, Healthcare, Transport and Water
 - **Education** is allocated 25% of total expenditure – USD 56bn
 - **Healthcare and social affairs** receives 19% - USD 42bn
 - **Transport and infrastructure** takes 7.3% – USD 17bn



SAUDI ARABIA: PRIVATE WEALTH

- For the GCC Saudi Arabia contains a disproportionately large number of very wealthy families (about 6,300)
 - With investable assets of USD 20m - USD 100m
- The Kingdom contains around 49,000 millionaires, and is projected to contain over 65,000 by 2024





3. DOING BUSINESS IN THE MIDDLE EAST

THE ARABIC WAY

Your word is your honour, which is more valuable than paper

- Middle Eastern countries have 'honour cultures'
- A culture of trading means a passion for negotiating
- Trust is a commodity you have to earn through repeated social interactions
- Negotiations must dignify and honour their culture
- Criticism and aggressive demands are frowned upon

Result

- Forge sustainable relationships
- Business relationships based on trust and friendship are loyal and long lasting

MIDDLE EAST MEETING ETIQUETTE

1. Gulf Arabs are proud of their language: a strong and unifying bond across the region
2. Greeting can last up to 10 minutes
3. Gulf-based organizations can be multi-tiered and difficult to penetrate – be sure of your entry point
4. Meetings start late and overrun
5. Body language is as important as words
6. Know your host
7. Don't be misled by warm hospitality and civilized negotiations

POINTERS FOR DOING BUSINESS IN THE MIDDLE EAST

1. Be careful when selecting and managing local partners
2. Decisions can take a long time, probably longer than you're used to
3. The best way to communicate is face to face - if this isn't possible use the phone
4. When entering the Gulf, put together a few small, quick deals to see which companies are serious about doing business with you
5. Saudi Arabia is the key market



4. WHAT
BRINGS GULF
INVESTMENT
TO
GERMANY?

THE STAMP OF APPROVAL



One of the “secrets” of Germany’s sustained economic success is undoubtedly its macroeconomic focus on R&D, which as a share of GDP is among the highest worldwide, outpacing the US.

ALIGNMENT OF ARAB INVESTORS

- We are seeing strong interest in the German market from Arab investors
- This is not purely for investment but also for:
 - Operational cooperation
 - Access to leading technologies and a highly skilled labour market
 - Availability of HR and expertise

Investment vehicles include:

- Strategic partnerships
- Affiliates
- JVs
- Complete takeovers
- Portfolio investments by SWFs
- Strategic FDI


Financing:

- Private investments
- Private Equity
- Bonds/Sukuks

GULF INVESTMENTS IN GERMANY

- **Growing FDI*** from Gulf states:
 - € 142m (2010) → € 308m (2011) → € 709m (2012) → € 937m (2013)
- Most forms of investment belong to **3 categories**:
 - Private investment (Eg. Real Estate)
 - Portfolio investment (by SWFs)
 - Strategic FDI (via state-related bodies)
- Examples of ME **investments in German large caps**:
 - Yusuf Bin Ahmed Kanoo WLL (Family Office, Bahrain): BASF (partnership > 50 years)
 - Easa Saleh Al Gurg (Family Office, Dubai): Siemens, Osram
 - Kuwait Investment Authority (State Fund): Daimler
 - Qatar Holding LLC (State Fund): Porsche, Volkswagen, Hochtief
- Examples for ME **investments in German mid caps**:
 - Mubadala (Abu Dhabi Future Energy): Photovoltaik Fabrik Thüringen
 - Travco (Egypt): Steigenberger
 - Arcapita (Investment Group, Bahrain): HT Troplast

* Data provided by German Federal Reserve as of January 29, 2015



**5. WHAT ARE
MIDDLE EAST
INVESTORS
LOOKING
FOR?**

PRIVATE INVESTORS

HNWIs & Family Offices

What do they look for?

- Political stability is a benefit but not a pre-requisite
- High returns, ideally double digit
- Short term: an average 2.2 years time horizon
- Attractive and reliable investment framework and investment policy
- Access to know-how
- Ease of visa processing

INSTITUTIONAL INVESTORS

SWFs, Pension Funds, Conglomerates, UHNWIs

- Stability and transparency
- Attractive and reliable investment framework and investment policy
- Offering 'safe' investment opportunities with a fair and speedy legal framework
- Knowledge: R&D, expertise and skill transfer
- Technology & innovation
- Ease of labour and taxation laws
- Long term: can be extremely loyal

6. MIDDLE EAST MEDIA



WHO ARE THE MEDIA?

Local & regional



International & wires



Social media



HOW DOES THE MEDIA WORK?

What you should know

- The Gulf's media appreciate their lives being made easier & more comfortable
- Relationships are everything
- Ad-spend = coverage

SOCIAL MEDIA IS PREVALENT

- Saudi Arabia is the #1 market for Twitter penetration worldwide/per capita
- 88% of the Middle East's population uses social media daily
- In the UAE, 97% of HNWIs use social media platforms
- 68% of online users are aged 18-34 years
- Saudi Arabia and the UAE account for 80% of social media users in the region
- In the UAE, LinkedIn is:
 - Accessed from smartphones by 74% of users
 - Used for at least one 'financial purpose' by 78% of users
 - Used to read market research by 74% of users

HOW IS BUSINESS ADAPTING?

Corporates are investing in digital:

2/3 corporates have seen digital budgets rise in the last 12 months

1/3 CMOs expect to spend 75% of budgets on digital channels within five years

Digital is raising communications on the boardroom agenda: 70% of companies said that more consideration is being given to communications at board level as a result of digital media

Digital is not just B2C: 64% of B2B internet users turn to a search engine before any other info source to find out about a product or service

52% of businesses have a digital strategy

The communications landscape has changed: 74% of companies have seen their approach to communications change fundamentally due to the rise of social and digital media



**7. YOUR
ACCESS TO
THE
MIDDLE
EAST**

MEET & GREET GCC ROADSHOW

Typical GCC cities of interest are:

1. Dubai, Abu Dhabi, Riyadh, Doha, Kuwait
2. Muscat, Manama, Dammam & Khobar, Jeddah

INVESTORS

- Develop a target list based on our client's objectives, desk research and insights
- Audience comprises HNWIs, Family Offices, conglomerates, bankers, decision makers
- If raising money, we recommend working in partnership with an Investment Bank
- All logistics, admin, appointments are handled
- All relevant English & Arabic materials are developed

MEDIA

- High level media meetings arranged ahead of roadshow to develop interest and credibility in the host market



YOUR OWN CONFERENCE

- Presentations, seminars and break-out sessions during the day, followed by a dinner in the evening
- Conference guests would be targeted, high-level members of the international and regional investment community
- The content of the event would be MENA and emerging markets focused
- Initial hook for attending would be a session hosted by a high level speaker
- Event accompanied by a media breakfast-briefing or press conference, drawing attention to the conference, and to the leadership demonstrated by the host firm



A close-up, high-contrast photograph of an owl's face. The owl's eyes are a striking, glowing orange color, set against its dark, textured feathers. The lighting is dramatic, highlighting the intricate details of the feathers and the sharp, dark beak. The overall mood is intense and mysterious.

ABOUT US

INSTINCTIF
PARTNERS



**INFO
RM –**

**WE ARE EXPERTS IN COMMUNICATIONS.
YOUR COMMUNICATIONS.**

MIDDLE EAST IR & TRANSACTION EXPERIENCE



2015 – IR & PR
Tadawul, KSA



2014 - Annual Report
Tadawul, KSA



2013 - NASDAQ Dubai,
Pre-IPO preparations, UAE



2010 – 2013 - ISDX
London, UK



2010 – 2012 - ISX
Pre-IPO preparations – Iraq



2011 – 2013 - Tadawul
\$1.6bn Rights Issue & IR, KSA



2012 - ADX
Pre-IPO preparation, UAE



2012 - fund raising
\$600m, Netherlands



2012 – M&A DNO
International
\$250m, UAE



2010 – fund raising
\$20m, UAE/ Canada



2010 – fund raising
\$200m, Iraq



2011 – M&A complete
acquisition Olympic Group
\$287m, Egypt



2010 - M&A Qatar Pharma
\$27m, KSA/QAT



2008 - fund raising
\$500m, KSA



2007 - M&A Warner Bros.
\$500m, UAE/USA



2007 - Tadawul
\$209m, KSA



2006 - DIFX
Pre-IPO preparation, UAE



2005 – LSE
\$57m, UK

YOUR CONTACT PERSONS

Samantha Bartel Al Khalaf

Managing Partner
Capital Markets, Dubai

Samantha has over 13 years of financial and corporate communications experience mostly in the Middle East but also in Europe and Asia. Her key sectors of expertise include financial services, telecoms, healthcare and real estate. Before joining Instinctif Partners, Samantha was a senior member of the M:Communications Gulf team where she advised numerous local and international growth companies. Throughout 2012 and in early 2013, Samantha led teams handling Middle Eastern IPOs, high-profile M&A deals and fund launches.



Ursula Querette

Managing Partner
Capital Markets, Munich

Ursula heads up the Financial Markets and Investor Relations practice of Instinctif Partners in Germany, and is responsible for the firm's Munich office. The trained banker and graduate of business administration, started her career in Investment Banking in Frankfurt and London. She then moved into Investor Relations and worked for technology company AIXTRON SE in Aachen and in Shanghai, and for Haubrok, an Investor Relations consultancy.



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