Grant Thornton

Sector Focus: Energy, Infrastructure & Real Estate

Energy sector: MENA and GCC

Financial Advisory

May 2024

Grant Thornton

We're pleased to release the first in a series of quarterly updates focused on the Energy, Infrastructure and Real Estate ('EIR') sectors.

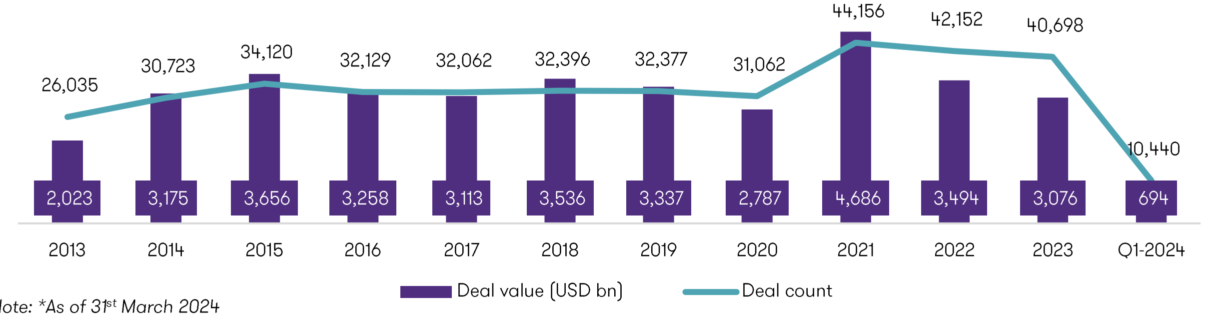
With a keen understanding of the financial landscapes within these industries, our quarterly updates will offer invaluable insights into the EIR sectors. This edition covers the energy generation throughout the GCC and MENA region. Over the course of the coming quarters, we will provide further insights with a focus on infrastructure and real estate.

Contents

The Global and Regional Economic Outlook

USD 694 bn	10,440	USD 3 tn	10
Global M&A deal value up to Q1 2024	Global M&A deal count up to Q1 2024	MENA M&A deal value in 2023	Number of GCC IPOs up to Q1 2024

Global Energy M&A Activity – Deal Value (USD bn) and Deal Count



Note: *As of 31st March 2024

M&A Outlook

Despite increasing interest rates, inflation, geopolitical uncertainties and recession concerns which have contributed to a decline in global M&A activity, energy sector finished 2023 with 1,135 deals totaling USD 380.8 bn. The median deal size reached a high of USD 109 m, up from USD 97.5 m in 2022.

Going forward, key drivers for M&A deals on a global scale will include transactions driven by renewable energy activity and a global push towards sustainability.

Global energy sector transaction multiples remained stable as the median EV/EBITDA multiple remained constant at 9.3x for the 12 months leading up to the end of 2023, an increase from 8.9x in 2022.

MENA Outlook

- M&A dynamics in the Middle East have showcased resilience with nearly 800 deals being completed in the MENA region in 2023. The proactive engagement of the region's sovereign wealth funds and state-owned entities has been particularly noteworthy in addition to the completion of middle market M&A deals.
- Cop28 UN Climate Change Conference hosted by UAE in January 2024 was important in setting new goals for GCC countries including an increase in renewable energy investments and proportion of total energy capacity and adding new "green". These goals are planned to be achieved by increased government spending and initiatives such as establishment of ALTÉRRA - world's largest private fund for climate change with plan for investing USD 250 billion by 2030 in Global South.
- Total deal values within the energy sector improved from USD 1,680 million in 2022 to USD 1,716 million in 2023 even though the number of deals decreased from 23 in 2022 to 16 in 2023.

Sources: Pitchbook, Zawya, Boston Consulting Group, Arabian Business, The National News, Reuters, Bloomberg

A Focus on the Energy sector in the MENA Region

The Global race is on for clean energy transition, that is according to the International Energy Agency (IEA), with the IEA estimating 50% of the world's electricity by 2030 will be provided by renewable energy.

What is Energy transition?

Energy transition refers to the global energy sector's shift from fossil-based sources of energy production and consumption, which includes; oil, natural gas and coal, to renewable energy sources such as wind, hydropower, hydrogen and solar, even lithium-ion batteries.

Based on recent market developments and observable trends within the energy sector, the MENA region is well positioned to capitalise on the positive momentum.

Strong government support aimed at stimulating and promoting the Energy sector will continue to drive growth.

Events such as COP28, occurring within the region, is acting as a significant catalyst in driving the change towards energy generation within the region via clean energy. Multiple Governments are targeting zero emissions in the next 10 to 15 years and investment continues to pick up pace.

It is estimated that the MENA region averages approximately USD 30 billion per annum on capital expenditure within this sector, with the expectation for this to grow in order to obtain the objectives established.

Reliance on fossil fuels is expected to decrease with key investments being identified in renewable Energy.

As at the end of 2023, the MENA region holds roughly 50% of the global oil reserves and can extract oil efficiently at around $5-$15 per barrel of production. Enhancing the investment expected from the reserves available will be necessary to make the transition to cleaner energy and the strive towards zero emissions.

In the UAE and KSA alone, renewable energy is expected to be 30% and 50% of total energy capacity within the respective countries. It is worth noting that the region has superior access to energy sources given the availability of large land for renewable energy projects coupled with the region getting roughly a quarter of the world's solar energy and about three quarters of the MENA experiences strong winds for applicable wind farms. Development in energy storage will underpin the key to success for renewable energy within the MENA region, which highlights a crucial area for growth in the coming years.

Deal appetite within the MENA region continues to be strong with both regional and international investment.

Over the course of the past 2 years (2022 – 2023) there has been around USD 3bn of deals completed within the MENA region with regional based investors increasing and diversifying their portfolios, whilst additionally international players entering the market to compete with rivals.

Given the expected drive towards renewable energy and government investment in the sector, it is anticipated that the overall deal value within the region will continue to grow.

GCC Energy Infrastructure Outlook

United Arab Emirates

In 2023, the UAE government updated its UAE Energy Strategy 2030 to meet the growing energy demand and ensure the sustainable growth of the economy. Key highlights are provided below:

- Total energy capacity in Q3 2023 was 32.1 GW. Capacity is expected to increase to 47.3 GW by 2030.
- In Q3 2023, total renewable energy capacity was 3.6 GW or 11% of total capacity. The UAE government plans to increase capacity to 14.2 GW or 30% of total energy by 2030.
- UAE targets net zero emissions by 2030.
- It is estimated that an investment between AED 150 bn to AED 200 bn will be required in energy sector to achieve the UAE Energy Strategy 2030.

Kingdom of Saudi Arabia

KSA government has published Saudi Vision 2030 which outlines the following key energy sector related goals below:

- In 2023 total energy capacity was 83 GW which is expected to increase to 260 GW by 2030.
- In 2023 total installed renewable energy capacity was 2.8 GW or 3% of total capacity. Renewable energy is expected to increase to 130 GW or 50% of total energy capacity by 2030.
- KSA targets net zero emissions by year 2060.
- To meet the growing energy demand, the KSA government plans to attract USD 1 trillion in foreign direct investment by 2030.

Rest of the GCC

- Oman plans to increase its contribution of total energy capacity from renewable energy sources from 2% in 2023 to 30% by 2030.

- Qatar is expected to increase its production capacity in LNG, targeting 142 million mt/year by the end of 2030, whilst already being the one of the largest exporters globally.
- Aims for 20% of energy mix from renewables by 2030, primarily solar.

- Kuwait aims to increase its renewable energy capacity to 15% renewables of total energy capacity by 2030, and 100% renewable energy generation by 2050, primarily from both solar and wind.

- Bahrain aims to increase its renewable energy capacity to 20% renewables of total energy capacity by 2035.

Sources: UAE National Energy Strategy, KSA Vision 2030, Oman Vision 2040, Oxford Business Group, Kuwait National Review Report 2023, Bahrain National Energy Strategy

GCC: Significant Shifts in Energy

UAE & KSA are leading the impetus for Renewables in the Middle East

- Both UAE & KSA are decarbonizing their energy generation sectors by heavily investing in renewables to achieve net zero targets.
- As per SP Global Ratings, in March 2023, UAE & KSA together held c.90% of GCC's renewable energy capacity.

UAE's state-owned Masdar (Abu Dhabi Future Energy Company, which is a partnership between ADNOC and TAQA) plans to be one of the biggest clean energy companies globally, with 50GW+ capacity by 2030.

As per Zawya, during 2023, the Saudi government has planned 10 new renewable energy projects to slash oil use in electricity generation, which will increase 7GW output capacity.

The Advent of Hydrogen

- Globally, many countries have ambitious plans for green hydrogen, but GCC has unique advantages that could allow them to lead the transition to hydrogen.
- As per an interview by Al Arabiya English, the $8.4 billion green hydrogen production plant in Saudi's NEOM city will put KSA on the global map for clean energy transition.

The Saudi Government is Energised about Renewables

National Renewable Energy Program (NREP)

- KSA's NREP, which is part of the state's ambition to secure electricity production using sustainable means, will see ACWA Power producing 11.8 GW by 2025.
- KSA has further launched a Development Office to oversee the NREP to generate 58.7 GW of clean energy by 2030
- As part of NREP, KSA has launched 5 new renewable energy projects, in September 2022 with a planned capacity of 3,300 MW.

Saudi National Atomic Energy Project (SNAEP)

- KSA is implementing development of peaceful nuclear energy, with the SNAEP.
- The country is actively inviting technical bids to the construction of two 1.4 GW electric nuclear reactors and restating the kingdom's intention to use domestic uranium resources for producing low-enriched uranium as nuclear fuel.
- KSA plans to produce 17 GW of nuclear energy by 2032.

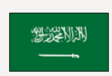
Qatar is Powering its Renewables with Gas

- Qatar holds the 3rd largest natural gas reserves, accounting for 90% of exports and 80% of revenue. As per Global Finance, in 2023, CEO of Commercial Bank of Qatar stated that "Qatar continues to be one of the largest LNG exporters. Economic activity should continue to be supported by investment in North Field gas expansion."
- Qatar aims to meet 20% of its energy demand from renewable sources by 2030.
- QatarEnergy targets 5GW solar energy by 2030 in its Sustainability Strategy.

Recent Activity – Energy Infrastructure

The GCC infrastructure market has gained significant interest from investors notably in the energy and utilities sector.

Recent Project Finance deals:

Date	Project Name	Type	Capacity	Sponsor	Project Nation	Cost (USD Mn)	Status
5-Jan-24	Khiran Substation Cables Project	Power	400kV	Ministry Of Electricity & Water		42.0	Contract Awarded
7-Oct-23	Al Sajaa Solar Project	Solar	NA	Sharjah National Oil Corporation		28.8	Announced
21-Aug-23	Al Shuaibah Solar Project	Solar	2.6 GW	Acwa Power Co|Saudi Aramco Power Co|Water & Electricity Holding Company (Badeel)		2.2	Announced
14-Aug-23	Trojena Substation and Power Line Project	Power	NA	Saudi Electricity Co		213.0	Contract Signed
19-Jun-23	Abu Dhabi Solar Project	Solar	2GW	Abu Dhabi Future Energy Company		915.0	Announced
19-Jun-23	Duqm Wind Project	Wind	500MW	Oman Power and Water Procurement		218.0	Announced
28-May-23	APM Terminals Bahrain Solar Power Project	Solar	NA	APM Terminals Bahrain BSC|Bhageria Industries Ltd		10.1	Announced
21-May-23	Al Kahfah Solar PV Project	Solar	NA	Acwa Power Co|Water & Electricity Holding Company (Badeel)		1084.0	Contract Signed
21-May-23	Saad 2 Solar PV Project	Solar	876,000M Wh	|Water & Electricity Holding Company (Badeel)		1083.0	Contract Signed
21-May-23	Ar Rass 2 Solar PV Project	Solar	NA	Acwa Power Co|Water & Electricity Holding Company (Badeel)		1083.0	Contract Signed
1-May-23	ADNOC GAS Abu Dhabi LNG Supply Project	Gas	NA	ADNOC Gas PLC		1200.0	Announced
7-Apr-23	Al Wusta Green Hydrogen Wind Project	Wind	NA	OQ, Intercontinental Energy, Enertech		10,900.0	Announced
20-Jan-23	Taweelah B IWPP Acquisition Project	Thermal	876 MW	Abu Dhabi National Energy Company		65.0	Announced

Sources: Refinitiv Eikon, Masdar, Zawya

Recent M&A Transactions – Energy Infrastructure

In 2023, 6 out of 16 transactions featured investments from non-GCC firms into companies within the GCC, indicating interest to the region from around the world.

Date	Target	Target Nation	Acquirer	Acquirer Nation	Deal Value ($m)	Description
1-Mar-23	CEPSA		TotalEnergies SE		1,473.0	TotalEnergies has acquired CEPSA's upstream assets in the UAE.
3-Sep-23	National Gas & Industrialization Co		Jadwa Investment Co SJSC		130.9	Jadwa acquired a stake in National Gas and Industrialization Company from PIF.
14-Dec-23	United Oil Projects Co KSCC		National Petroleum Services Co Ksc		48.9	National Petroleum Services Company K.S.C.P. entered into agreement to acquire United Oil Projects.
12-Jun-23	Prosperity Petroleum FZE		Stepping Stone Investments Ltd		22.5	Stepping Stone Investments Ltd sold 50% of shares in UAE registered Prosperity Petroleum.
11-Apr-23	Ryse Energy		Rwe Energy Transition Investments		15.0	Ryse Energy has secured growth funding led by RWE Energy Transition Investments.
24-Oct-23	Nts Group		Alpha Dhabi Holding PJSC		NA	Alpha Dhabi Holding announced its acquisition of a 51%, underscoring the company's commitment to enhance its energy portfolio.
17-May-23	Balance Point Control BV		MB Petroleum Services LLC		NA	MBPS, a part of the MB Group of Companies, has acquired Balance Point Control.
22-Jun-23	SolarX Works LLC		GW Global Partners		NA	Solar X Works, LLC announced that GW Global Partners has taken a strategic equity position.
1-Jun-23	Praxis Completion Technology		Schoeller-Bleckmann Oilfield Equipment		22	SBO has completed the acquisition of Praxis Completion Technology announced.
20-Mar-23	Bawabet Al Kuwait Holding Co		Egypt Kuwait Holding Co SAE		66.4	EKH acquired a minority stake in Bawabet Al Kuwait Holding.

Sources: Refinitiv Eikon

Global Benchmarking (1/2)

On average, during the last twelve months ending 31 March 2024, energy companies in the GCC traded at higher EV/EBITDA multiples when compared to their peers in emerging & developed markets on account of their ability to generate higher profit margins.

Company name	C.O.H	Category	EBITDA margin	EV/EBITDA	P/E
GCC Markets					
Saudi Arabian Oil Co	KSA	Oil & Gas	52.0%	7.4x	15.6x
Abu Dhabi National Energy Company PJSC	UAE	Utilities	37.5%	21.0x	36.5x
ADNOC Gas PLC	UAE	Oil & Gas	36.1%	10.8x	14.7x
Acwa Power Company SJSC	KSA	Utilities	48.8%	62.5x	90.9x
Dubai Electricity and Water Authority PJSC	UAE	Utilities	50.1%	11.0x	19.6x
Qatar Electricity and Water Company QPSC	Qatar	Utilities	44.3%	20.3x	13.2x
Emirates Central Cooling Systems Corporation PJSC	UAE	Utilities	48.8%	15.1x	14.7x
Shamal Az-Zour Al-Oula Power and Water Company KSCP	Kuwait	Utilities	61.6%	15.3x	15.6x
Brooge Energy Ltd	UAE	Oil & Gas	63.6%	14.1x	52.5x
Sembcorp Salalah Power and Water Company SAOG	Oman	Utilities	52.3%	3.7x	3.5x
Median			**49.5%**	**14.1x**	**14.7x**
Emerging Markets					
Reliance Industries Ltd	India	Oil & Gas	17.7%	13.8x	24.7x
PetroChina Co Ltd	China	Oil & Gas	8.6%	6.4x	8.2x
Petroleo Brasileiro SA Petrobras	Brazil	Oil & Gas	53.8%	2.2x	1.5x
LONGi Green Energy Technology Co Ltd	China	Renewables	5.5%	18.2x	42.0x
Adani Power Ltd	India	Utilities	31.5%	16.2x	106.7x
Jinko Solar Co Ltd	China	Renewables	7.8%	22.1x	97.1x
Vista Energy SAB de CV	Mexico	Oil & Gas	79.5%	3.5x	131.3x
Basic Sanitation Company of the State of Sao Paulo SABESP	Brazil	Utilities	35.4%	7.7x	12.3x
Manila Electric Co	Philippines	Utilities	10.7%	10.4x	14.1x
Filtra Consultants and Engineers Ltd	India	Utilities	5.2%	8.0x	9.1x
Median			**14.2%**	**9.2x**	**10.7x**
Developed Markets					
Exxon Mobil Corp	USA	Oil & Gas	21.1%	5.4x	11.5x
TotalEnergies SE	France	Oil & Gas	22.2%	3.3x	7.3x
Nextera Energy Inc	USA	Utilities	57.2%	15.8x	63.0x
Iberdrola SA	Spain	Utilities	29.3%	9.4x	16.2x
Enel SpA	Italy	Utilities	25.7%	7.6x	17.0x
Verbund AG	Austria	Utilities	23.6%	4.8x	24.5x
American Water Works Company Inc	USA	Utilities	51.9%	18.1x	22.3x
Edison SpA	France	Utilities	41.3%	0.2x	24.2x
CSI Solar Co Ltd	Canada	Renewables	8.5%	11.7x	NULL
Verbio SE	Germany	Renewables	8.3%	7.9x	14.9x
Median			**24.6%**	**7.6x**	**16.6x**

The above comp sets consist of listed companies for each market with a mix of Oil & Gas, Utilities and Renewable energy sources (wind, solar, etc.), among others. Furthermore, Utilities includes multi-electric, coal, gas, water, etc. Lastly, the EV/EBITDA and P/E multiples are daily averages over the last twelve months ending 31 March 2024.

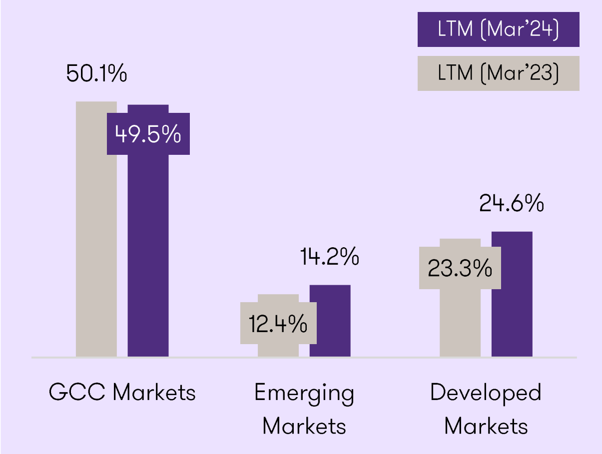
- Outlier

Sources: Refinitiv Eikon

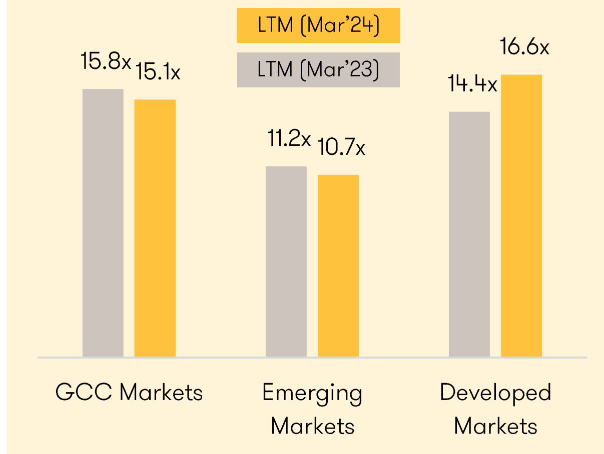
Global Benchmarking (2/2)

On average, during the last twelve months ending 31 March 2024, energy companies in the GCC traded at higher EV/EBITDA multiples when compared to their peers in emerging & developed markets on account of their ability to generate higher profit margins.

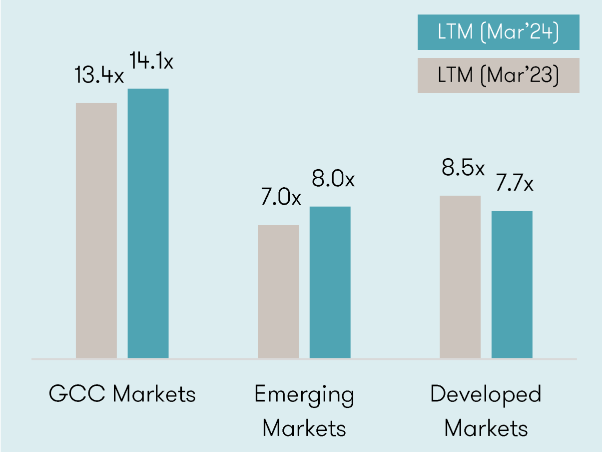
Median EBITDA margins (%)



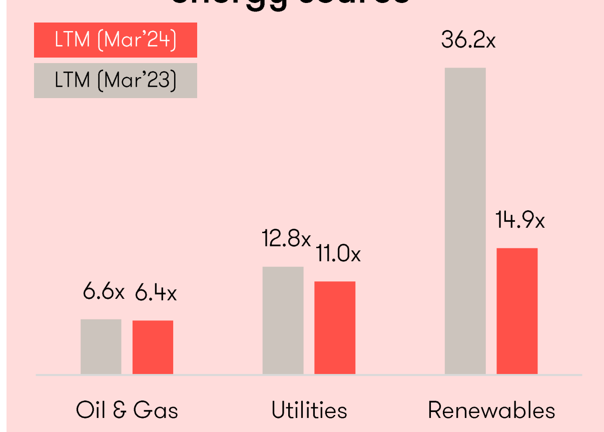
Median P/E multiple (1)



Median EV/EBITDA multiple (1)



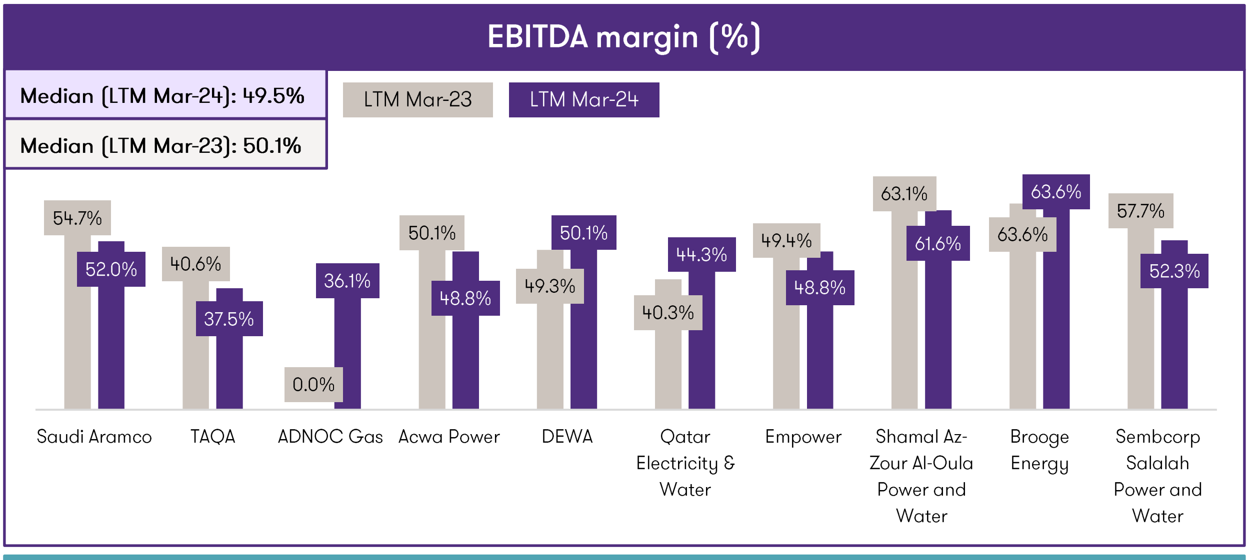
Median EV/EBITDA multiple by energy source (1)

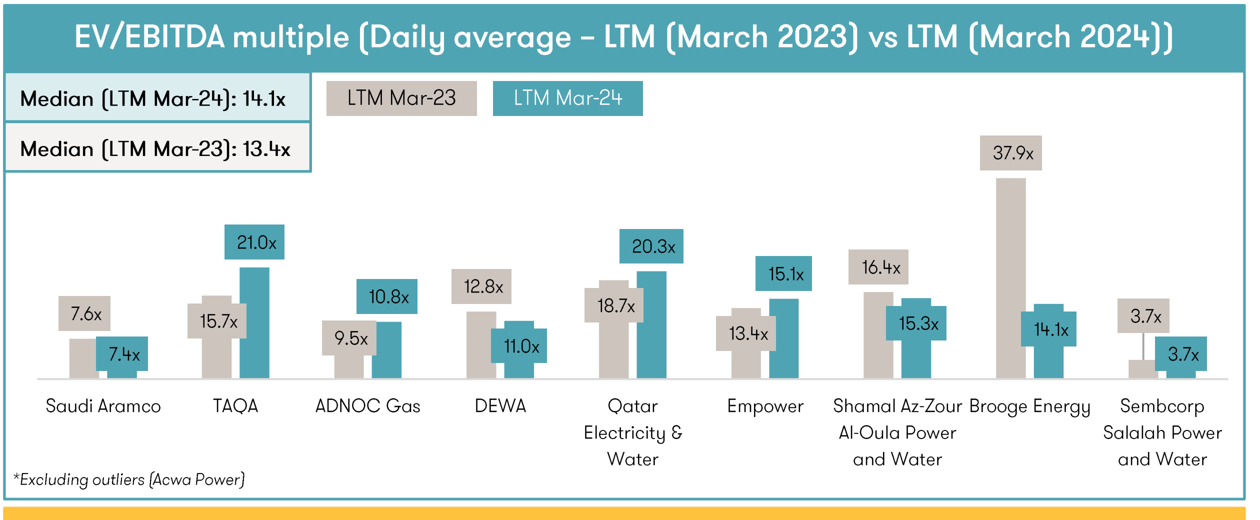


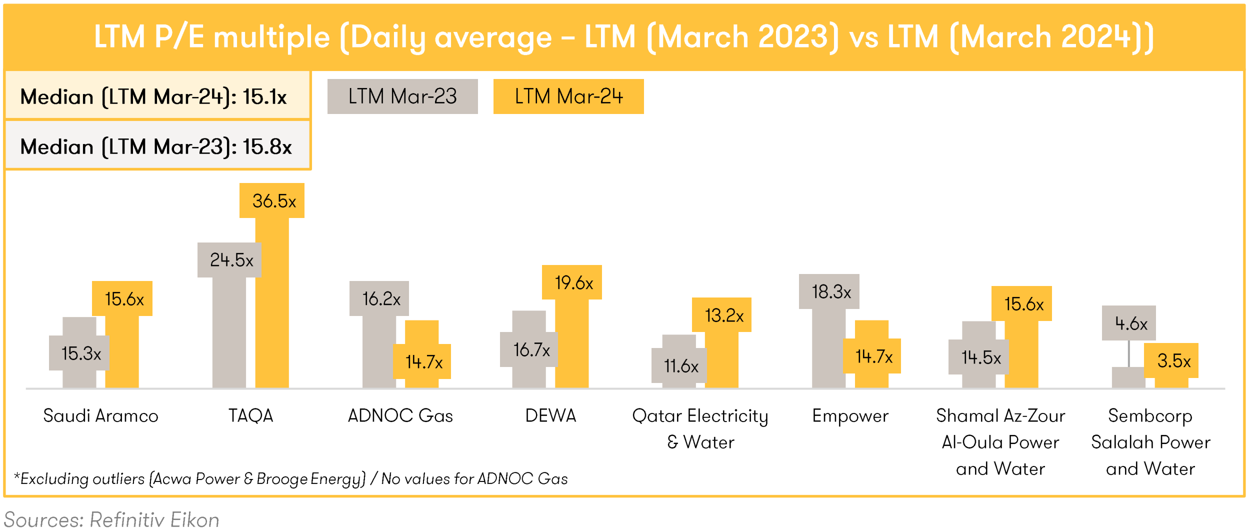
Sources: Refinitiv Eikon / (1) – Data extracted is a daily average for the last twelve months ending 31 March 2024.

Local Benchmarking

EBITDA margins for energy firms in the GCC have dipped slightly from the prior year on account of lowered prices, however, GCC firms still trade at a premium (~14x EBITDA multiple, during the last twelve-month period ending 31 March 2024), compared to their peers in emerging & developed markets







Sources: Refinitiv Eikon

Upcoming Infrastructure Events in the Region

Middle East Petroleum & Gas Conference

Dates: 20 – 22 May 2024

Location: DIFC, Dubai, UAE

Description: This event brings together the global oil and gas markets' leading NOCs, IOCs, traders, refiners, petrochemical, storage, financial institutions, and technology companies, in a confluence of dialogue, debate, and business interactions at the highest level.

WETEX & Dubai Solar Show

Dates: 1 – 3 October 2024

Location: World Trade Centre, Dubai, UAE

Description: Organised by DEWA, this exhibition provides a leading platform for organisations to present their latest solutions and products, and to learn about innovative technologies from all over the world in the sectors of energy, renewable and clean energy, and others.

Abu Dhabi International Petroleum Exhibition & Conference

Dates: 4 – 7 November 2024

Location: ADNEC, Abu Dhabi, UAE

Description: ADIPEC is one of the world's largest energy conferences; bringing together over 2,200 companies from across the globe to showcase the latest strategies and innovations that are defining the future of energy.

Middle East Energy

Dates: 7 – 9 April 2025

Location: World Trade Centre, Dubai, UAE

Description: The 50th edition of the region's largest energy event, gathering professionals from around the world to discuss implementing solutions to modern energy challenges, integrating renewables and other matters.

Sources: Grant Thornton UAE

Grant Thornton UAE – Financial Advisory Team

Our Financial Advisory Team actively originates and executes transactions across a range of sectors. Some of the current as well as recently completed transactions include businesses in energy & utilities, transportation, logistics, technology, real estate, food & beverage, healthcare, education, and financial services.

Salmaan Khawaja

Partner, Head of Financial Advisory

Salmaan is a seasoned professional with in-depth experience in M&A (buy & sell-side), corporate finance and IPO (regulatory & advisory).

M +971 52 537 3917

E Salmaan.Khawaja@ae.gt.com

Neha Julka

Partner, Financial Advisory

Neha is an accredited professional with significant valuation, financial modelling & M&A experience gained both locally & globally.

M +971 54 373 5405

E Neha.Julka@ae.gt.com

Imran Jaffer

Partner, Financial Advisory

Imran has over 20 years of experience within banking, credit fund management and advisory. He is skilled in debt advisory & restructuring, corporate finance and M&A within the UK, Europe and the Middle East & African regions.

M +971 2 666 9750

E Imran.Jaffer@ae.gt.com

Ehsen Khokher

Director, Financial Advisory

Ehsen has extensive experience in the advisory and banking space in the UAE, KSA and UK markets and is a member of the Royal Institution of Chartered Surveyors and a CFA Charter Holder.

M +971 50 971 6756

E Ehsen.Khokher@ae.gt.com

Colm Treston

Director, Financial Advisory

Colm has significant experience in corporate finance, debt advisory and banking and structured finance helps in bringing a wide angled view to each engagement

M +971 52 936 3812

E Colm.Treston@ae.gt.com

Salim Husseini

Director, Financial Advisory

Salim has over 14 years of experience across a broad spectrum of industries and has led cross-border transactions and due diligence engagements.

M +971 52 936 3812

E Salim.Husseini@ae.gt.com

Alex Tsui

Director, Financial Advisory

Alex has over 17 years of experience across the United Kingdom and the Middle East, over 12 of which in Capital Markets.

M +971 56 369 7722

E Alex.Tsui@ae.gt.com

Matthew Boyd

Manager, Financial Advisory

Matthew has over 8 years of experience in Corporate Finance Advisory in the UAE, UK and Bahrain markets across various industries.

M +971 52 107 8889

E Matthew.Boyd@ae.gt.com

Abu Dhabi

Unit 2, Floor 14
Sila Tower
ADGM Square
Al Maryah Island
Abu Dhabi, UAE

T +971 2 666 9750
F +971 2 666 9816

Sharjah

Al Bakr Tower
Office 305
7/9 Al Khan Street
Sharjah, UAE

T +971 6 525 9691
F +971 6 525 9690

Dubai

The Offices 5
Level 3, Office 303
One Central, DWTC
PO Box 1620
Dubai, UAE

T +971 4 388 9925
F +971 4 388 9915

Grant Thornton

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