

Deloitte.
Private



**Deloitte Middle East
Qatar Family Office
survey**

The response and
positioning to thrive

Foreword

Family offices continue to be a driving force in the development and growth of Qatar and across the Middle East. The recent pandemic has dramatically changed the operating environment, creating major challenges and for some, unique opportunities across the entire family ecosystem: the family, the operating businesses and investments, and private wealth. In response to these changes, families had to quickly adapt business models and strategies to ensure continuity and provide a platform to thrive.

This survey provides insight from over 35 of the most prominent family groups across Qatar, and explores how unprecedented external market forces have impacted the family ecosystem. Each of the respondents are based in Qatar and operate across a range of industries and geographies, through their core divisions and separate investments.

Overall, the outlook from the community is largely one of optimism. 18% of respondents report having already returned to previous levels of business activity, with another 50% expecting a return to pre-crisis or near-normal levels of operations within 12 months. Around half of the respondents plan to invest within the next 18 months, in many respects within new industries and across the value chain.

In terms of risk factors, declining oil prices and ongoing liquidity issues ranked as the most prevalent. To prepare for this, many families have revisited and adjusted strategies. Work is still required in this space. Not surprisingly, cost reduction stands out as the highest priority across almost all families.

There is a focus on developing talent within families and preparing the Next Generation with 11% believing their Next Generation were ready to take the reigns now, but over 50% anticipating they will be ready within the next five years.

This survey was conducted throughout September and October 2020 and reflects the respondents' sentiment at this time. We hope you enjoy reading this report and find it to be an insightful snapshot of how the Qatar Family Office community have navigated the crisis, their areas of focus, and how they feel about the future. We would like to express our sincere gratitude to the families who took part in our survey for their valuable contributions which enabled us to create this report.

Midhat Salha
Deloitte Private Leader Qatar
Deloitte Middle East

Yamen Maddah
Partner, Deloitte Private
Deloitte Middle East

Laky Chhina
Partner, Head of Financial Advisory Qatar
Deloitte Middle East

The Business and Economy

Optimism has emerged as a dominant theme despite the ongoing challenges. Revenue impact reflects reductions in excess of 10% compared to 2019 levels for 70% of the families, with approximately half of these suffering decreases of more than 20%. Over half of families predict that they will return to previous trading levels within the next 12 months. Those families with diversified operations across multiple industries managed to mitigate the impact most effectively and predict a quicker recovery than those with more concentrated operations.

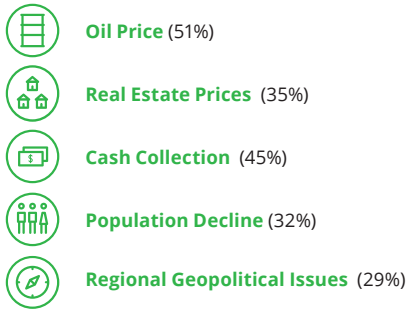
Priorities have been reviewed by most families interviewed and were deemed either fit for purpose or have been addressed quickly. Technology remains the area where most families see a need for review / change to adapt to the new economic landscape.

Group strategy stands out as the area needing immediate attention and change. Responses confirm that the medium term strategy has been altered by 80% of families, with trends visible in the pursuit of leaner and more agile operations and desire to move into new products / markets.

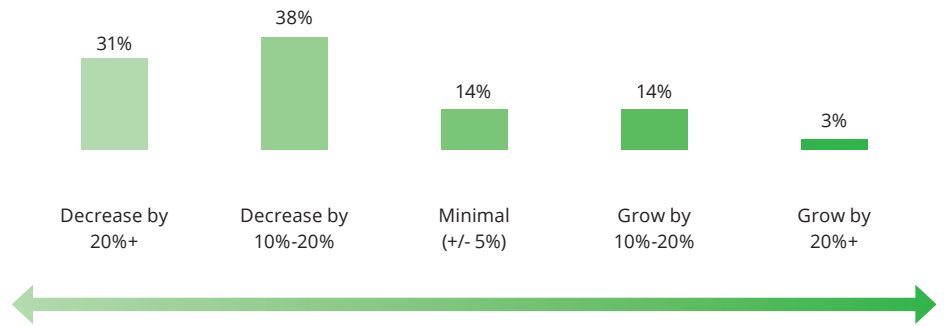
Deloitte insight: Qatar family businesses who were not already prepared to cope with the crisis have been quick to adapt, although work is still required in some cases, particularly with regard to technology. Liquidity and macroeconomic structural factors such as oil and real estate prices, demographic changes and the geopolitical situation in the Middle East, remain key risks with longer term and permanent implications. As a result, most families are exploring cost reduction as an immediate priority.

Midhat Salha, Deloitte Private Leader Qatar, Deloitte Middle East

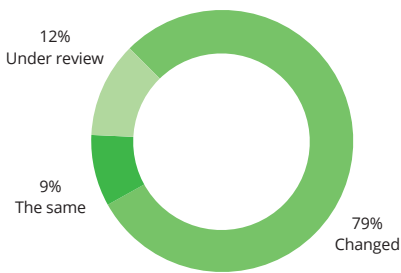
What are the top three economic risk areas which are the main concern for family businesses?



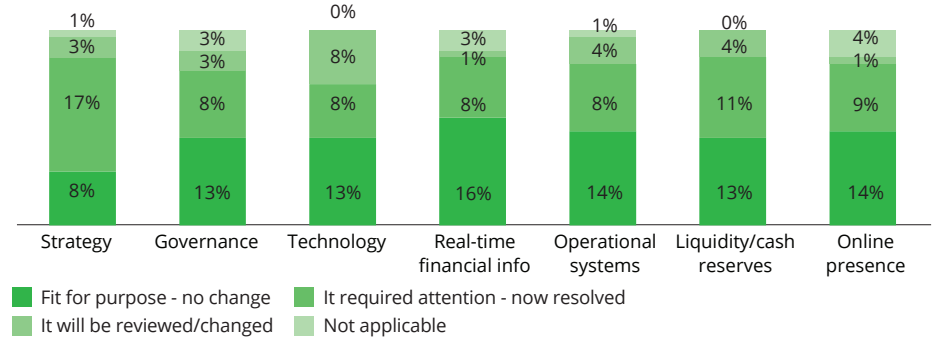
What is the estimated impact on the Family Office group revenue compared to the previous year?



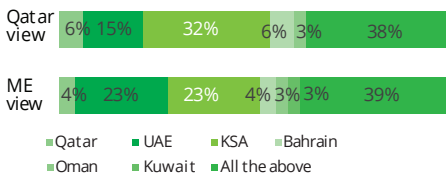
What is the current position of Family Office strategies?



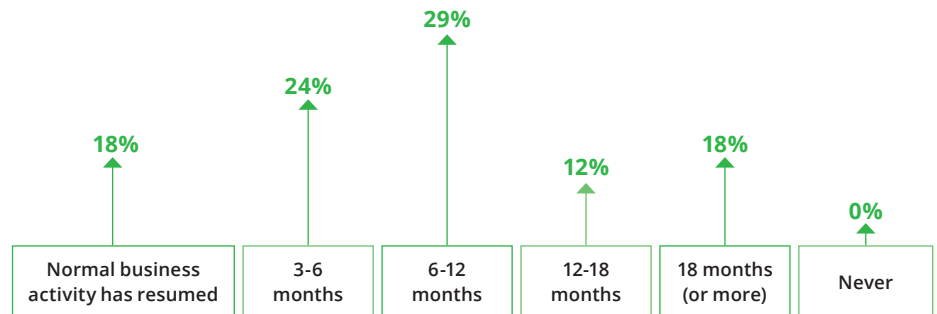
How ready were Family Offices for the crisis?



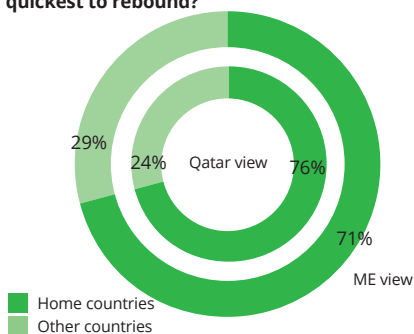
Which country has / will be the most impacted by the pandemic?



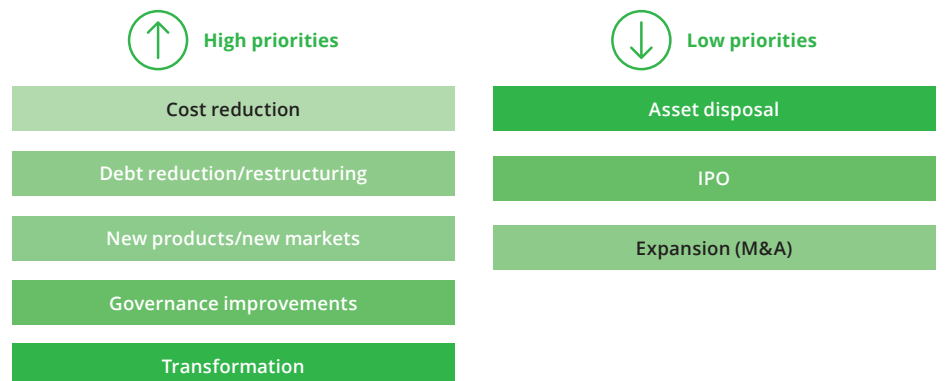
When will Family Office business activity return to historical levels?



Which market will be the quickest to rebound?



What are the immediate priorities for the family business?



Note: Percentages may not total to 100 due to rounding.

The Family

Communication is the top priority for family governance with over half of the respondents selecting it as one of their top three areas of focus. Communication addresses both the need for the stakeholders to be informed regarding what is happening in the business and also the need for the senior business leaders to be kept informed regarding the direction that the family business is heading.

Sustainability is paramount for regional families, in particular the perceived willingness and ability to transition leadership. The results demonstrate that 11% of respondents consider their Next Generation are able to lead immediately, with the proportion deemed ready within the next five years standing at 52%. At nearly two thirds collectively, this reflects a community that have been heavily invested in by their respective families. Readiness, however, does not guarantee handover, and the transition of authority and responsibility from one generation to the next will be a pivotal theme for regional families in the years to come. Succession was also highlighted as another key priority for the family governance.

Readiness of individuals does not reflect readiness of the entity. This is particularly evident when we see that only a quarter of families reported having a constitution, with almost half of the constitutions in place created more than five years ago. However, there was awareness within the family groups that the legal framework of the organisation was not fit for purpose and we expect to see families correcting this in preparation for the transfer of leadership.

Deloitte insight: Communication was highlighted as the main priority with respect to improving governance at family offices, with a need to keep both stakeholders and management up-to-date to enhance their decision making. Succession planning remains on the radar of many families, as well as ensuring that the right culture is demonstrated throughout the business.

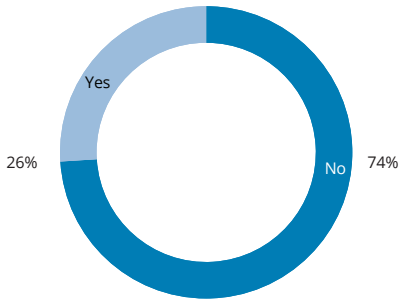
Most families do not have a formal family constitution, but where such a document does exist, it was mainly seen as fit for purpose. The majority of families interviewed believe that their legal framework needed to be reviewed and updated but only a small number thought that it requires major changes.

Generally, the Next Generation of the families are not considered immediately ready to take over the business, with nearly half of the families thinking they will be ready in two to five years.

Yamen Maddah, Partner, Deloitte Private, Deloitte Middle East



Does the group have a family constitution?



When was it implemented?

0-12 months ago



1-3 years ago



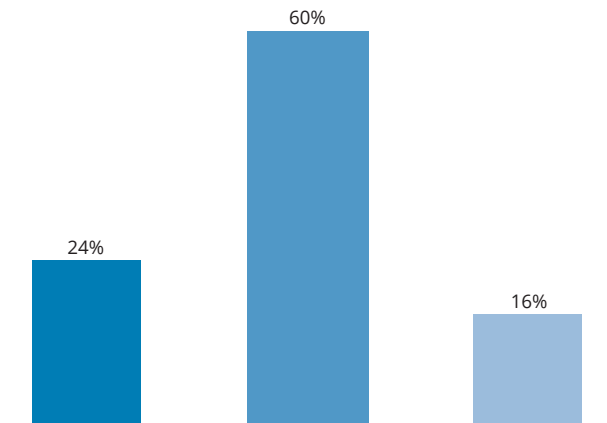
3-5 years ago



Over 5 years ago

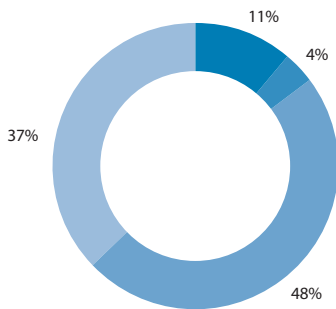


Do you consider your legal Family Office framework fit for purpose?



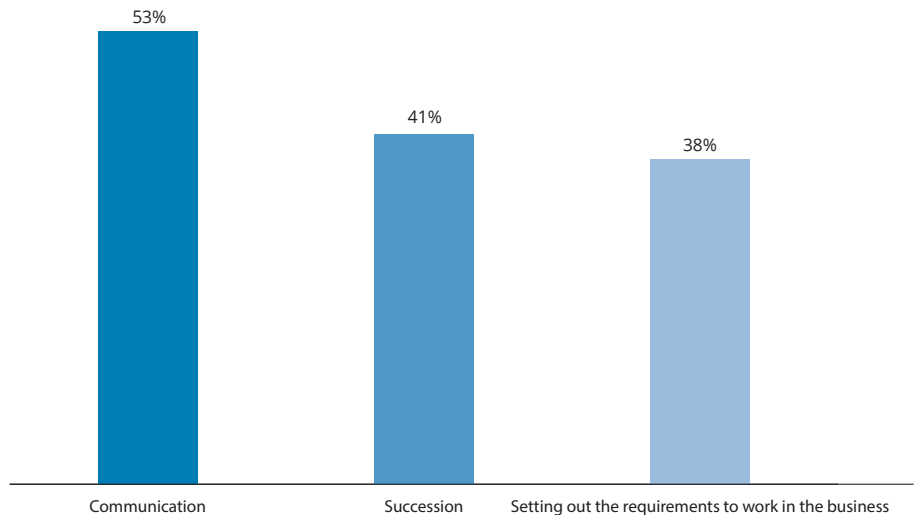
■ Yes
■ No, it needs to be reviewed and updated
■ No, it needs major changes

Are the "Next Gen" ready to take over the family business?



■ Yes, immediately
■ Yes, in 12 to 24 months
■ Yes, in 2 to 5 years
■ No, not for some time (5 years +)

What are the top priorities for family governance coming out of the crisis?



The Wealth

Many of the families were braced for impact, however, some aspects of the family office in respect of the private wealth required swift action. A majority of 75% of the families interviewed have separated and structured the family wealth away from the business and its assets. 83% have opted to employ non-family members within separate entities most typically in the form of a private investment office. Risk management and the investment strategy stand out as the most exposed going into the pandemic.

Looking ahead, half the families are seeking to invest in the next 12-18 months with no clear theme among the investment plans and a mix of local and international investments, equity and real estate and across sectors. Several families highlighted that one of the main opportunities to come out of the crisis is the potential to acquire distressed businesses, and we expect to see families who were holding cash going into the crisis to start to deploy those funds into assets available at a discount.

From a private wealth perspective, the majority of families agreed on the top risks; further waves of COVID-19 across the world or delays in the production of a vaccine, and geo-political risks as this survey was conducted in the midst of US election.

Deloitte insight: For many, COVID-19 shone the light on governance and risk in the Family Office. Key individuals and decision makers' incapacitation impacted the ability to make decisions and to implement them. This has subsequently led to a real focus by families to simplify structures that hold and advise the families on the wealth along the decision making process.

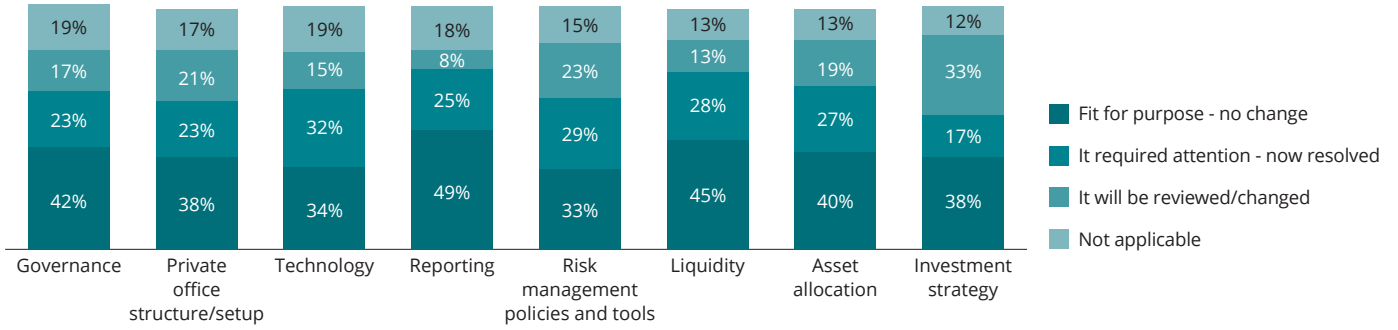
Families are focused on unifying wealth governance structures across different jurisdictions whilst institutionalising the Family Office to ensure effective business processes, and associated policies and procedures are in place. The desire to drive efficiency, reduce operational risk and ensure that there is full visibility through enhanced technology solutions are the pivotal areas of investment currently being made.

This is seen as an enabler to diversify the asset base and move to a position of less reliance on the operating businesses to sustain the wealth for future generations. This desire for sustainability of the family wealth over time means that deal flow and attractive investment opportunities to deploy "dry powder" requires additional talent which often is being recruited overseas. This in turn is leading to a broader internationalisation, a global phenomenon, which brings opportunity both for inward and outward investment for the GCC.

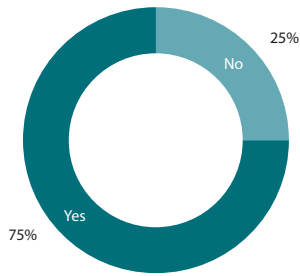
David Bowen, Head of Family Office Consulting, Deloitte UK



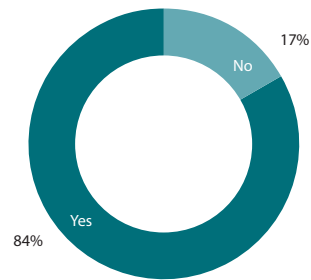
How ready were private offices/wealth for the crisis?



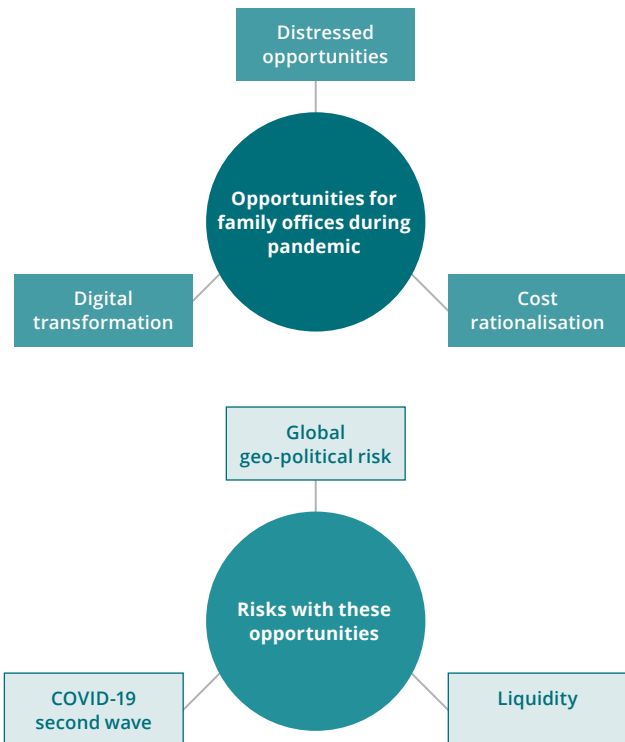
Are private assets held by the family separately structured and managed?



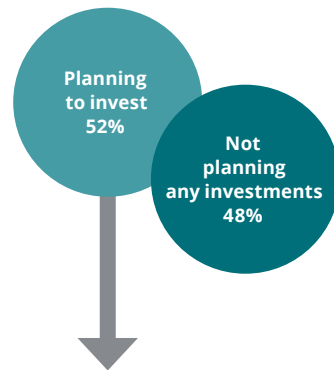
If yes, are non-family members employed?



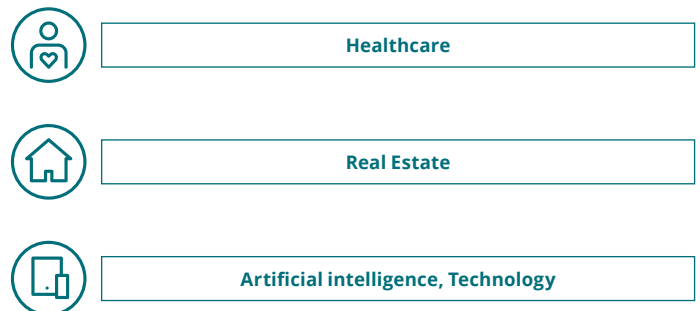
What are some of the opportunities and risks Family Offices foresee going forward?



Do Family Offices intend to invest over the next 12 - 18 months?



What are the top three sectors they plan to invest in?



Note: Percentages may not total to 100 due to rounding.

The Last Word

Qatar Family Offices relied heavily on news reports, publications and economy / industry statistics as information sources during the crisis, preferring impartial third party written resources to webinars and a personal advice.

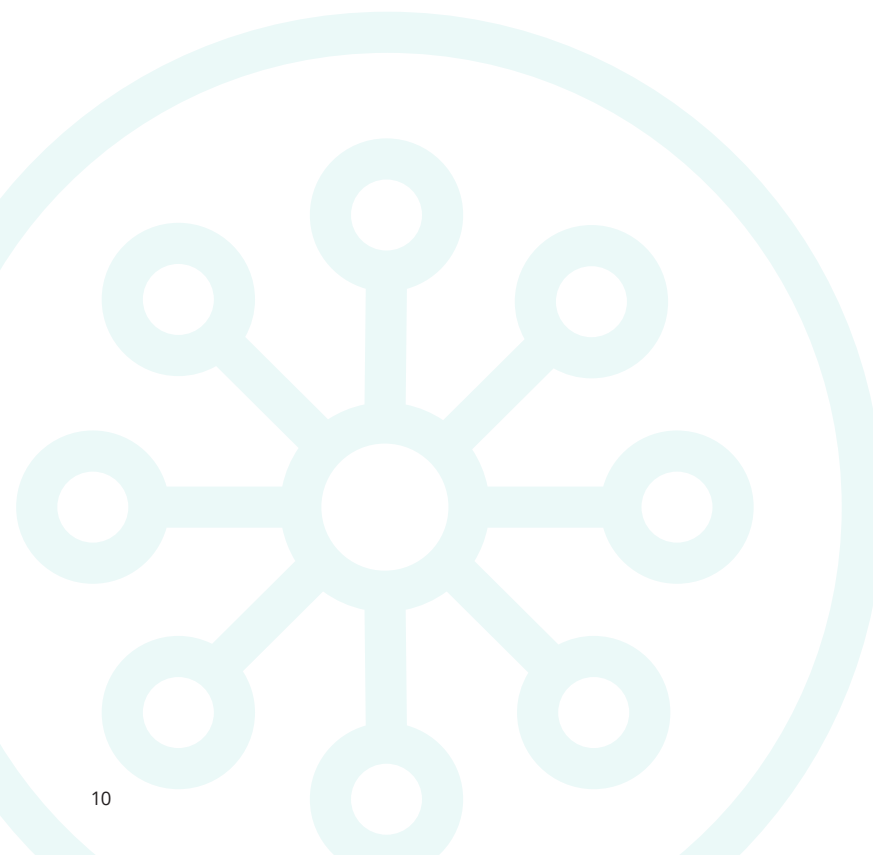
Permanent changes will manifest in the wake of COVID-19 with some, such as the application of technology to engage virtually, increasing working from home and reduced business travel. Qatar families think virtual meetings with overseas travellers will continue for the foreseeable future, which differs to survey participants from the rest of the Middle East, who had a high propensity for receiving guests in person. This might reflect that other governments in the region have been quicker to reopen their borders..

Learnings from the crisis were varied amongst the respondents. Practical elements around the need for cash flow and contingency were evident, as well as a respect for the employees who have been willing to share in the pain of COVID-19 to keep businesses going through tough times. More broadly were the general lessons learned around flexibility and being able to quickly respond to change and the need to improve leadership, with clearer decision-making and a stronger commitment to decisions so the business has a clear direction.

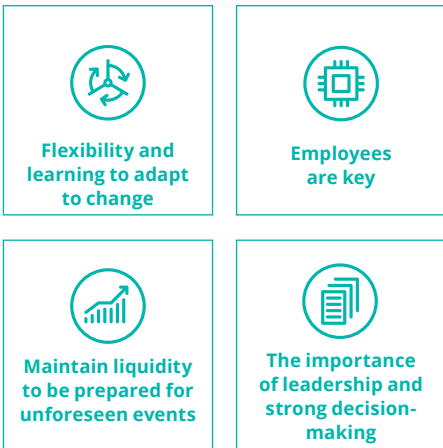
Deloitte insight: If I were to encapsulate in one word the valuable contributions to the survey from families across the GCC, and what COVID-19 has taught us with regard to what will epitomise the characteristics of the families and businesses that will thrive post COVID-19 – Transformation. There is a clear need to ensure that at a family level the Family Office has the structure in place to seamlessly manage the next generation transition and ensure an appropriate governance structure is in place.

At the business level, Transformation is also emphasised to ensure the family business is strategically focused on the right areas, operationally lean and match fit to capitalise on opportunities as they arise and operate as best in class.

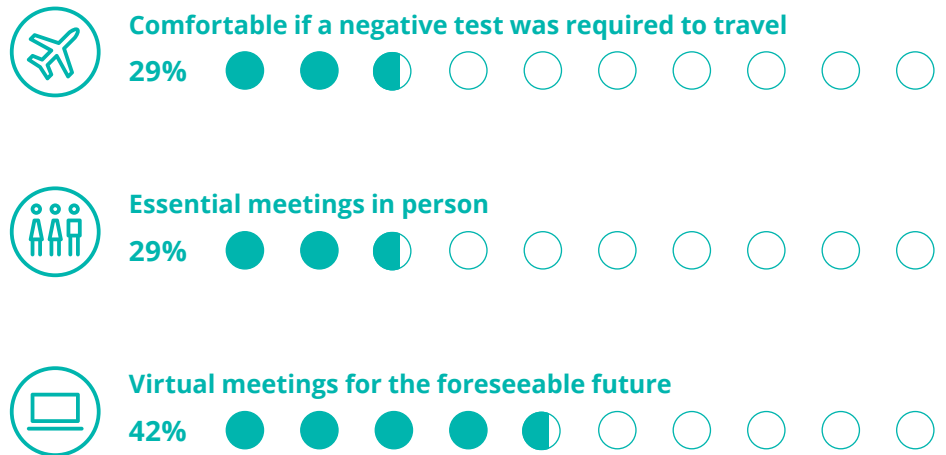
Laky Chhina, Partner, Head of Financial Advisory Qatar, Deloitte Middle East



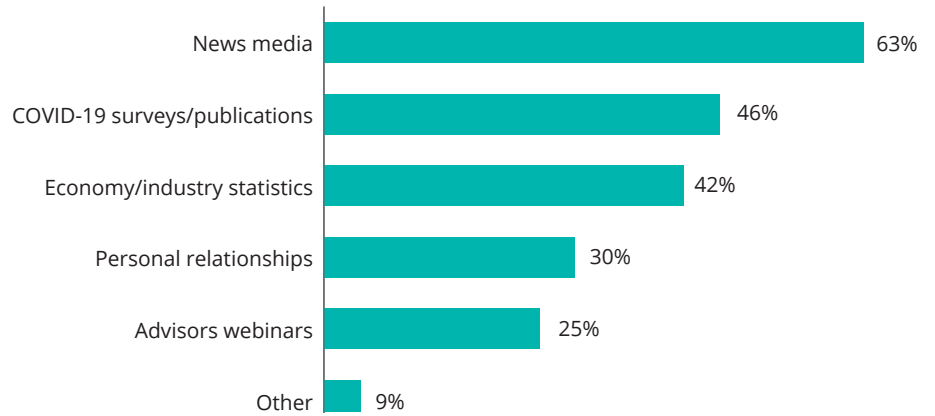
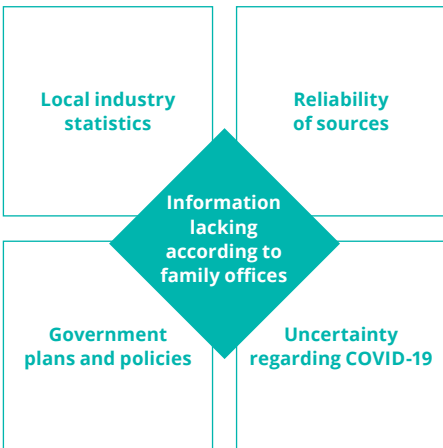
What are the key take-aways for Family Offices since the start of the pandemic until now?



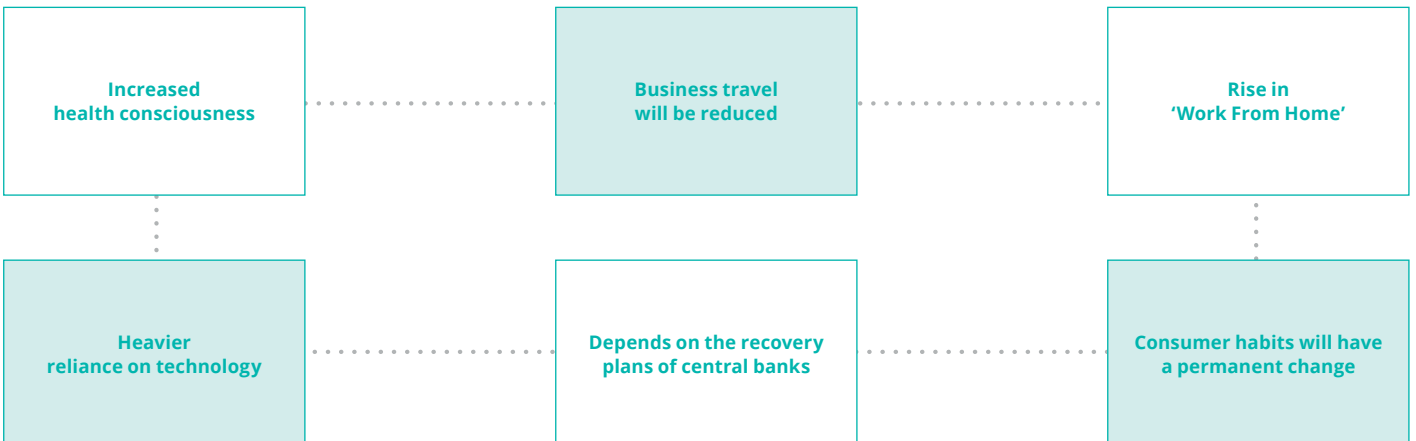
How do Family Offices feel about receiving overseas visitors when international travel resumes?



What information was lacking according to Family Offices?



How will the post-pandemic world permanently change for Family Offices?



What has the crisis taught you?



What has permanently changed?



Key contacts

If you would like to discuss the report in more detail, please get in touch with our dedicated team members.

Midhat Salha

Partner

Deloitte Private Leader Qatar

Deloitte Middle East

msalha@deloitte.com

Yamen Maddah

Partner

Deloitte Private

Deloitte Middle East

ymaddah@deloitte.com

Laky Chhina

Partner

Head of Financial Advisory Qatar

Deloitte Middle East

lchhina@deloitte.com

To receive future reports and insights on Family Office topics, please contact deloittemefa@deloitte.com

Deloitte.

Private

This publication has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication.

Deloitte & Touche (M.E.) LLP (DME) would be pleased to advise readers on how to apply the principles set out in this publication to their specific circumstances. Deloitte & Touche (M.E.) LLP (DME) accepts no duty of care or liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication. Deloitte & Touche (M.E.) LLP (DME) is the affiliate for the territories of the Middle East and Cyprus of Deloitte NSE LLP ("NSE"), a UK limited liability partnership and member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL").

Deloitte refers to one or more of DTTL, its global network of member firms, and their related entities. DTTL (also referred to as "Deloitte Global") and each of its member firms are legally separate and independent entities. DTTL, NSE and DME do not provide services to clients. Please see www.deloitte.com/about to learn more. Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our network of member firms in more than 150 countries and territories, serves four out of five Fortune Global 500® companies. Learn how Deloitte's approximately 300,000 people make an impact that matters at www.deloitte.com.

DME is a leading professional services firm established in the Middle East region with uninterrupted presence since 1926. DME's presence in the Middle East region is established through its affiliated independent legal entities, which are licensed to operate and to provide services under the applicable laws and regulations of the relevant country. DME's affiliates and related entities cannot oblige each other and/or DME, and when providing services, each affiliate and related entity engages directly and independently with its own clients and shall only be liable for its own acts or omissions and not those of any other affiliate.

DME provides audit and assurance, consulting, financial advisory, risk advisory and tax services through 26 offices in 14 countries with more than 5,000 partners, directors and staff.

© 2020 Deloitte & Touche (M.E.) LLP (DME). All rights reserved.

Designed by Deloitte CoRe Creative Services. RITM0585616