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Navigating M&A in the Middle East  
Resilience Redefined

مئة عام  
Years in the Middle East

The ongoing geopolitical developments in the Middle East are shaping the region's M&A landscape. Historically, periods of heightened tension tend to create uncertainty and trigger a short-term "risk-off" environment.

While the natural response in such circumstances is often to pause deal activity, historical trends reveal that the medium- to long-term effects are more complex, presenting both challenges and strategic opportunities.

This article examines the implications of the current situation and offers guidance for buyers and sellers on how to navigate the environment, preserving optionality while proactively managing risk.

### Short-term implications

Uncertainty is the foremost challenge for deal-making. As the situation evolves, so too does the risk-reward calculus for corporate boards and investors alike. Typically, such events lead to a temporary slowdown in deal activity, driven by:

- Widening valuation gaps between buyers and sellers, as perceptions of risk and value diverge;
- Tightening funding markets and rising capital costs, as lenders and investors adopt a more cautious stance;
- Declining executive confidence and bandwidth, with management teams hesitant to commit to large, transformative transactions; and
- Reprioritizing management focus, as resources shift from M&A to managing immediate operational impacts.

We are observing these dynamics to varying degrees across markets and sectors. For example, deals approaching finalization are sometimes paused as acquirers and lenders await greater clarity, whereas transactions already underway tend to proceed, with buyers making final assessments closer to signing.



### Mid-to-Long Term implications

Despite short-term disruptions, the long-term fundamentals and outlook for the Middle East remain robust.

Recent years have seen strong M&A activity in the GCC, driven by corporates leveraging acquisitions to build capabilities, sustained government efforts to diversify away from hydrocarbons, and the growing regional and global ambitions of Middle East-based strategic investors.

These fundamental drivers are expected to persist over the medium to long term.

The region will continue to benefit from its strategic geographic location, world-class infrastructure, pegged currencies, and an emerging market-like growth trajectory.

While near-term sector attractiveness may fluctuate, the region's underlying appeal remains strong.

Moreover, current events underscore the importance of reassessing supply chain resilience and regional diversification. The urgency to develop nearshore capabilities, whether organically or through acquisitions, is likely to support M&A activity, as acquisitions can often address these needs more rapidly than organic growth.



### How to position in the current environment

Both buyers and sellers face a strategic challenge in advancing their M&A agendas amid increased uncertainty. In the short term, several approaches can help maintain strategic flexibility:



**Event risk allocation:** Creative deal structures can allocate risk between parties in alignment with their objectives. Deals may be conditional on the non-occurrence of certain threshold events, providing a built-in safeguard.



**Smaller, multi-phased transactions:** When uncertainty causes valuation disagreements or funding constraints, parties can consider smaller initial deals with pre-agreed parameters to scale up as conditions improve. This enables sellers to realize part of their objectives while buyers manage risk through smaller commitments, keeping the engagement active.



**Contingent payments:** Pricing transactions is challenging amid divergent risk perceptions. Linking payments to performance milestones (e.g., earn-outs) can bridge valuation gaps and create mutually beneficial outcomes.

For buyers, discipline is paramount. Employing tools like earn-outs to bridge valuation differences and protect against downside risk is prudent. As markets stabilize, speed of execution will be a key differentiator. Buyers who are well-prepared with clear targets and flexible deal structures will have a distinct advantage, especially in competitive processes.

For sellers seeking capital or partners, flexibility on deal structure rather than price may be critical to closing transactions.

Over the long term, it is essential for market participants to maintain focus and not be distracted by short-term volatility when evaluating strategic M&A initiatives. The Middle East has repeatedly demonstrated resilience reinforced by strong fundamentals.

While headlines may be unsettling, those who can look beyond the immediate cycle will find that the region's long-term value proposition remains compelling.

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