

## Cross Border Capital Markets Report

# The Middle East and China

June 2022

This report investigates cross-border investments made between the Middle East and China since 2020. The Middle East serves as a strategic economic hub due to the strength of the energy sector and geographic positioning. Countries like the United Arab Emirates and the Kingdom of Saudi Arabia have held strong historic ties to the West, but are experiencing increased levels of economic relations with China. With current oil and gas shortages and rapidly increasing prices, the Middle East will continue to be a valuable economic battleground.

Capital deployed by Chinese-based investors in the Middle East focused on early-stage companies, with 81% of deals in the sector occurring in venture capital transactions. This highlights the desire to invest in the future growth of the region.

Many deals in the sector are unannounced, so this data may under-represent actual deal volume and size. This report outlines the type, deal count, dollar volume, and industries of Chinese investments in Middle Eastern companies.

### AUTHORS

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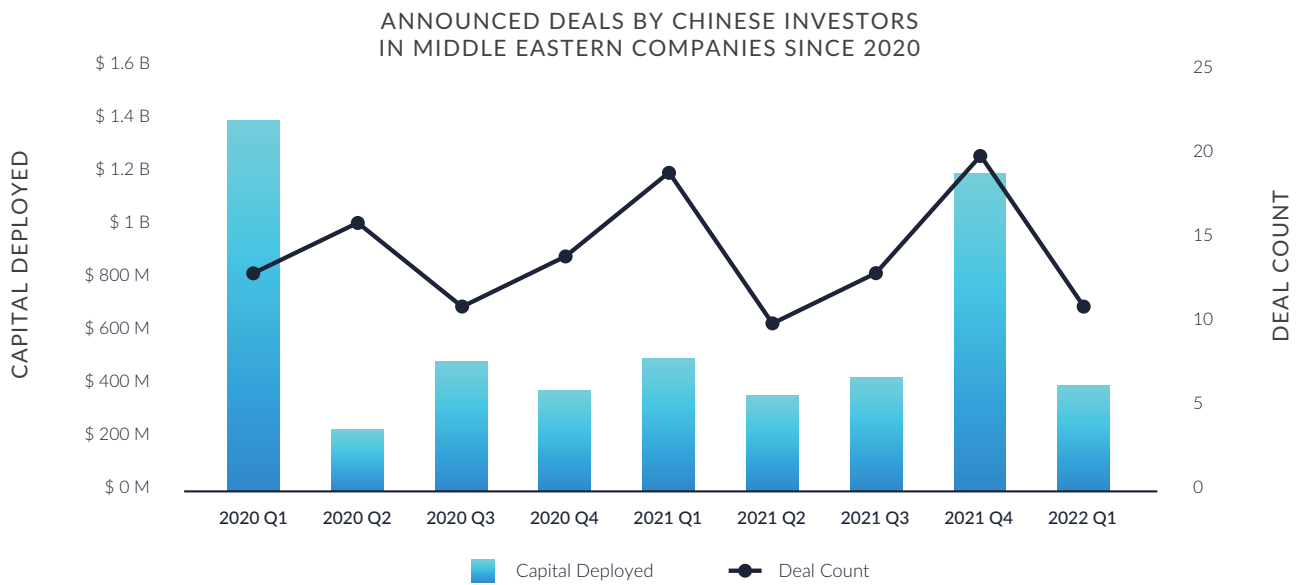


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# Chinese Investors Capital Market Activity: Middle Eastern Companies

Since 2020, 132 cross-border deals were announced between Chinese investors and Middle Eastern-based companies, in which a total of \$9.7 billion was deployed. The chart below shows the deal count and capital raised in this cross-border category.

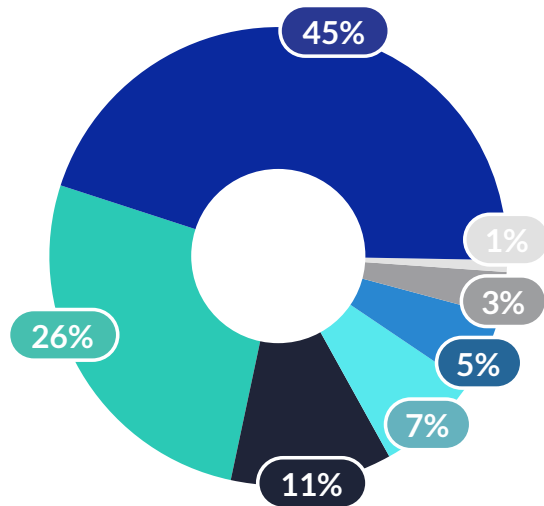


- Deal count within the sector remained consistently ranged between 10 and 20 deals per quarter, with a mean value of \$7.35 million. Chinese investors' mean value of deals with Middle Eastern companies has increased over time, showing an increased appetite to invest in the Middle East.
- The graph excludes the \$4.31 billion secondary investment into Saudi Aramco (pipeline business) conducted by China

Merchant Capital and Silk Round Fund, as well as a syndicate of other institutional investors including BlackRock, which skews the data.

- Capital deployment peaked in Q1 2021 with a total of \$4.74 billion, including the secondary transaction into Saudi Aramco (pipeline business), and over 14 investments. In 2020, Q1, which largely occurred before the pandemic, was the next most active period.

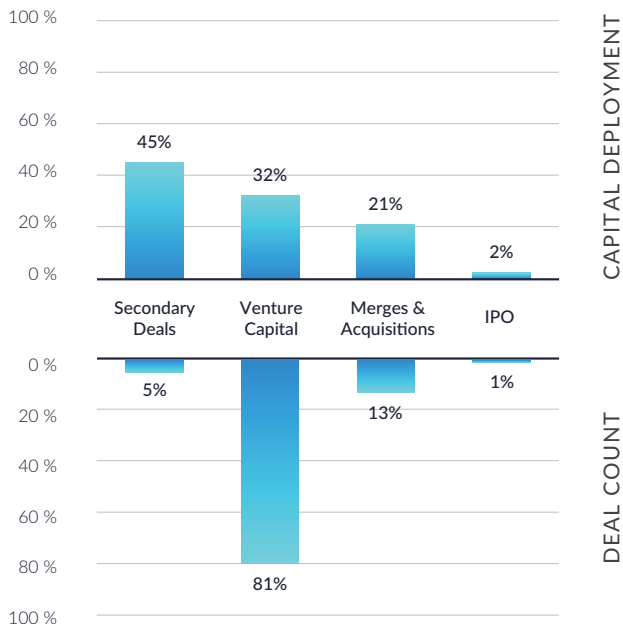
## Announced Deals by Sector by Chinese Investors in Middle Eastern Companies Since 2020 by Deal Count



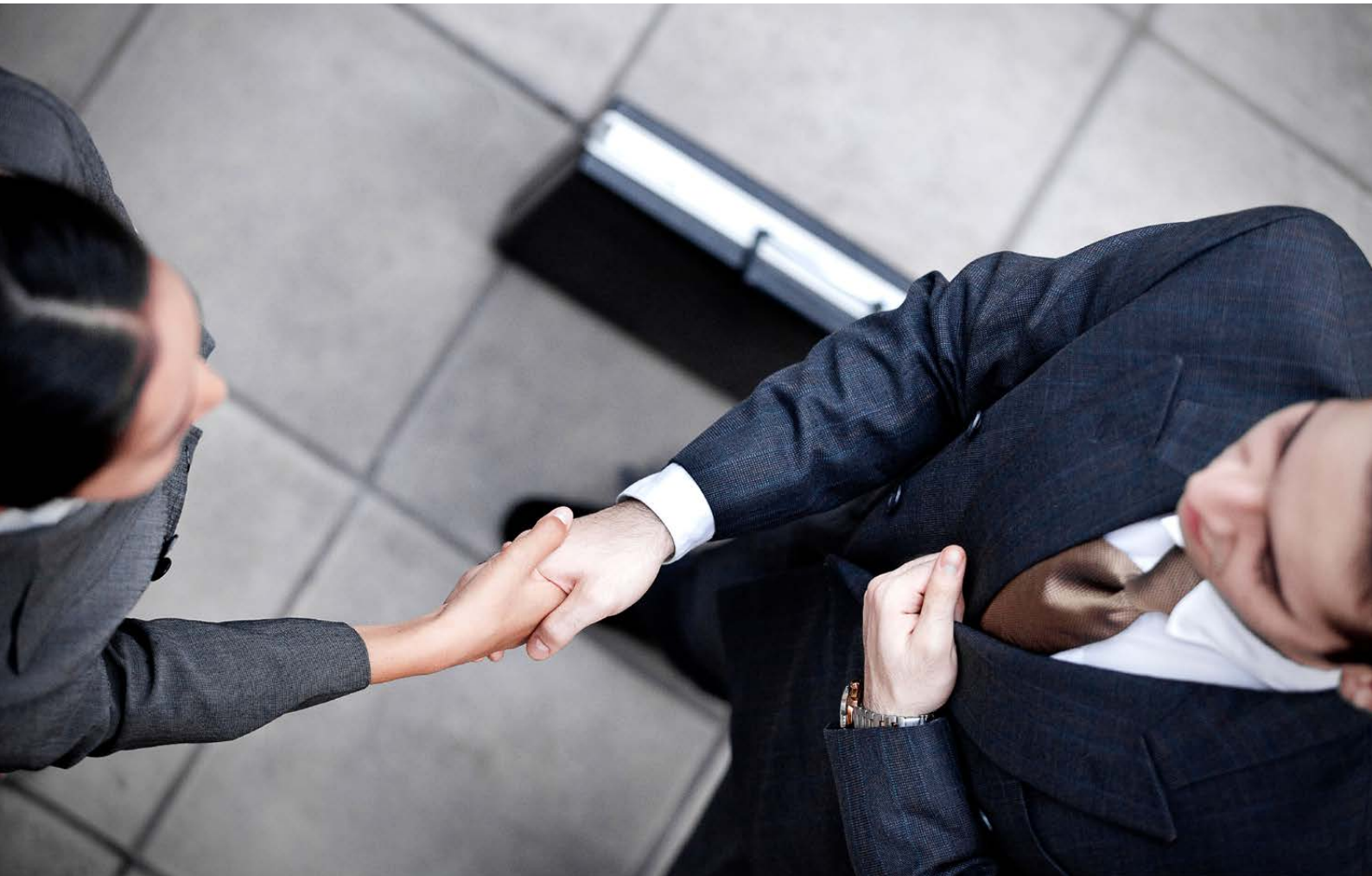
- Information technology was a leading sector for deal counts conducted by Chinese investors in Middle Eastern companies. Over 45% of transactions in the categories were in the information technology sector, though it received less than 13% of capital deployment.
- The energy sector received the most significant capital deployment of over 44%, mostly due to the Saudi Aramco transaction.
- The health care sector received significant capital, 27%, through 27% of deals conducted by Chinese investors. This shows the high level of interest that Chinese investors have in the Middle Eastern health care sector.



## Announced Deals by Chinese Investors in Middle Eastern Companies Since 2020 (Capital Deployment vs Deal Count)



- Chinese investors deployed \$3.37 billion into venture capital deals in the Middle East since 2020 in over 107 transactions. Of the total deal flow, 36% went into later-stage venture capital deals while early-stage venture capital and seed investments received 34% and 11% of the deal count, respectively.
- The secondary deals sector received the most significant capital deployment of over 45%, mostly due to the Saudi Aramco transaction, but contributed to less than 5% of the total deal count.



## INVESTOR SPOTLIGHT: MSA CAPITAL



### THE COMPANY

MSA Capital, formally known as Magic Stone Alternative Investments, was founded in 2014 and has made 127 investments. MSA Capital is headquartered in Beijing, China, and invests in global companies from seed to early growth phases.

ASSETS UNDER  
MANAGEMENT

\$1.5 B

ACTIVE  
PORTFOLIO

92

TTM  
INVESTMENTS

53

MEDIAN ROUND  
AMOUNT

\$15.46 M

NUMBER OF  
EMPLOYEES

15

NUMBER OF  
EXITS

14

- MSA Capital completed 10 deals since 2020 with Middle Eastern companies.
- MSA Capital has an industry focus on apparel and accessories, commercial services, healthcare technology, pharmaceutical and biotechnology, retail, and software.
- The firm's median capital invested is \$15.6 million and has deployed capital into 53 companies in the last 12 months.

The expansion of capital market activity between the Middle East and China is something that firms in both regions will help drive growth in global markets. Large energy deals dominated total capital deployment by Chinese investors into Middle Eastern companies since 2020. However, over 80% of deals in the sector were in venture capital deals, demonstrating the demand to invest in the future of the region. J&A expects the capital market activity between China and the Middle East to increase over time as these emerging markets continue to develop.