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Investment bank expects turnaround in cross-border financing needs.

By Sunil Kumar Singh

FCF Fox Corporate Finance, a German mid-cap investment bank based in Munich, expects turnaround in cross-border financing needs of companies based in the UAE and the GCC. And for that, the firm is planning to open its first office in Dubai, its first in the Middle East, in the later half of this year to tap upcoming opportunities, said a top company official.

"We are keen to establish a network of investors such as SWFs [sovereign wealth funds], family offices, private equity firms, among others, in the UAE and the Gulf region to broker financing deals between companies looking to either invest in German companies or vice versa or within the region. We are looking for a strategic partner to open our office in Dubai in the second half of this year," Arno Fuchs, CEO and Founder of Munich-based FCF Fox Corporate Finance, told Emirates Business during his visit to Dubai last week.

The financing specialist firm that mainly acts as a broker between a company and the financing world would focus on facilitating deals between companies that would be in a small to mid-capital range, ie deals ranging in size between €10 million (Dh49.58m) to €250m in the region.

"Over the next couple of years, we will measure our success by the amount of loans or equity investments that we generate for our corporate clients. Going forward, we want to focus on deal sizes ranging between approximately €500m to €1 billion in transaction volumes per year. There could be multiple deals ranging from, for instance, a small regional firm needing €30m, or it could be an investor from Germany needing €50m to strike a deal with a regional company or we may broker a deal wherein one of the regional SWFs could look for a 30 per cent stake worth, say €200m, in a large European company," said Fuchs.

He said the firm has been able to develop a good network with all the major private equity firms in the region so far as well as large family businesses which could be in need of finances either to invest in a German company, or within the Gulf.

"Apart from facilitating cross border deals between a GCC-based firm and a German company to invest in different German sectors, we may also provide financing advisory to regional companies willing to do transactions with local companies," he said.

Fuchs said the firm also plans to open an office in Saudi Arabia, apart from the UAE.

"We look beyond the problem despite the global economic crisis and the debt restructuring issue Dubai is faced with. The moment Dubai's debt is restructured and as long as Dubai doesn't have liquidity issues any more, Dubai is right back on the positive image territory and



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would generate immense business possibilities as was the case before," Fuchs said when asked what encouraged the firm to open office in Dubai.

He said: "Dubai is still an interesting super-dynamic market. It has a young population and everyone wants to get ahead and become wealthier, consume good products, drive better cars, live in a better apartment, go on a vacation and have better health facilities. Therefore, dynamics here are phenomenal and we believe the problems Dubai World is facing will go away in a year's time. If Dubai pulls a couple of strategic moves quickly and gets the loans restructured very fast in a trust- building fashion with the international investors, that will signal confidence in the market and then it can resume its strategy to establish Dubai as the 'Switzerland of the Middle East'".

Fuchs said many companies are looking for financing solutions as banks have restrained financing.

But that has also created opportunities for specialist firms such as his to pitch in and provide investment and financial advisory services for companies looking for joint venture, capital increase and fund raising opportunities.

Earlier it was easier for a company to approach any bank to get loans or to any investment bank for equity investment or mezzanine capital. That was the model in the past. But now the financing world is getting increasingly complex and banks have stopped being a house bank that would always lend regardless of how difficult the market gets or how good or bad a company stands. Companies in the Europe have increasingly started to hire advisors as middlemen between the company and the capital markets. That opens up tremendous opportunities for a specialist company like us, he said.

Another reason, Fuchs said, why financing needs of companies will see an upturn in the region is because almost 60 per cent of the GDP in the GCC is generated by energy and energy-related businesses, while the rest is generated by other sectors such as construction, industrial manufacturing, logistics and infrastructure.

The region's economies are reducing their dependence on energy and are keen on other sectors to grow faster. This can be done either through slow moving green-field development model or secondly by buying into industries or acquiring stakes in companies that they want to diversify in, he said.

Asked the sectors the firm would be focusing on, he said: "We would be focusing on sectors that are relevant for the region, such as energy, real estate and construction, manufacturing, food processing and SME sector."

Fuchs said the dominant financing model advised by the firm would largely be equity investment as well as loans from banks.

However, the firm would also look at other financing instruments such as venture capital, private equity, private investment in public equity (PIPE) transactions, etc depending on company's requirements.