

Russian Companies In Global M&A

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The value of M&A deals involving Russian companies could reach \$30bn in 2008.

The value of foreign M&A transactions involving Russian capital amounted to almost \$11.5 billion from January to May, 2008, and is expected to reach \$30 billion by the end of the year, according to M&A-Intelligence. Most of the M&A operations were in the metals industry, the oil and gas sector and construction.

M&A-Intelligence, an analytical group at the Mergers and Acquisitions magazine, has published a report on the participation of Russian companies in M&A transactions abroad over the first five months of this year. The value of the operations totaled \$11.4 billion, and could rise to \$30 billion by the end of the year, which is almost 50 percent more than last year's \$20.8 billion.

The largest number of M&A operations was reported in the metals industry (\$6.2 billion), followed by the oil and gas industry (\$2.2 billion) and construction (\$1.2 billion). According to Andrei Zaikov, the head of M&A-Intelligence, Russian investors could also be interested in mechanical engineering, the chemical industry and the services sector. A year ago, Russian businessmen were focused on producing companies (\$5.7 billion) and the metals industry (\$5.2 billion).

Not only the total value of M&A operations increased, but also the average value of businesses acquired by Russian buyers rose from \$142 billion in 2005 to \$167 billion in 2006 and \$300 billion. Canada was the most popular country with Russian business buyers, accounting for \$6.7 billion of the reported M&A value. Ukraine was second, with \$6.1 billion, and the United States was third with \$5.3 billion.

The worth of foreign M&A transactions involving Russian companies could indeed reach \$30 billion by the end of the year, believes Oleg Senkov, a managing partner at Advance Capital, which specializes in mergers and acquisitions. "Companies in the metals sector, construction and the oil and gas industry, which have excess liquidity, are particularly keen on acquiring foreign assets," Senkov reckons.

Dmitry Vavilov, the head of an analytical department at the Russian Investment Club, agrees that the value of M&A operations could rise from \$20.8 billion in 2007 to \$30 billion in 2008. "Amid financial instability on international markets, the main buyers of foreign assets are not banks but companies from Russia, the Middle East and South East Asia," he told RBC Daily, adding that Russian businesses could become interested in the assets of foreign banks, which the latter will have to sell to pay their debts.