

Middle East private equity industry in shakeout mode

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Published: 00:00 October 13, 2009

Dubai: Captains of the private equity industry, who gathered in Dubai on Monday to take stock of the industry's direction in the region, said a shakeout is already under way and there will be a drastic fall in the number of players once the correction is complete.

"With more than half of the assets under management in regional private equity [PE] companies still uninvested, a limited number of deal flows and an overly cautious capital, post-crisis survival will be challenging to many," said Karim El Solh, chief executive officer of Gulf Capital.

Most speakers at the conference were candid about the overcrowding in the industry over the past three years. "The industry is in crisis. It all happened not just because of the global financial crisis but because most players entered the industry on the premise that there is too much liquidity in the region to be tapped and there is too much value lying untapped in family-owned businesses. But they have been proved wrong and the financial crisis has become just a catalyst in the current crisis facing the industry," said Zulfi Hydari of HBG Private Equity.

Hydari believes that about 70 per cent of the players in the 126-strong regional private equity industry will go out of business in the near future.

Many industry representatives said yesterday that both investors and private equity players need to scale down their ambitions both in terms of fund raising and returns. "Funds should get more realistic about their return expectations and fund raising. The days of easy liquidity and astronomical valuations are over," said Ahmad Heikal, chairman of Citadel Capital.