



The Middle East Mid-Market Opportunity

A commentary by Waha Capital
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Economic development in the Middle East has traditionally been led by large enterprises and even larger ambitions. While corporate giants will always have a major role to play, it is mid-sized companies that we believe will generate much of the region's dynamism, and opportunities for investors, going forward.

There are several reasons for this shift. One is that with diversification efforts beginning to bear fruit, the private sector is responsible for a greater share of regional economic activity. Technology, too, is leveling the playing field, enabling smaller firms to develop products and services, and access new customer bases in ways that were previously reserved for only the largest companies. The region's vibrant consumer class is also coming into its own as a source of demand for high-value local goods and services. The result is that the value of SMEs in the GCC is tipped to more than double over the next five years, to US\$920 billion.



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FILLING THE FINANCING GAP

There may be fertile ground for mid-market companies to thrive in. But what is often missing from the picture is the right capital solution to propel the company to its next stage, and become the leading enterprises of tomorrow. With banks remaining asset focused and becoming more risk-averse, mid-market firms can struggle to access traditional forms of funding. This creates a clear opportunity for private debt to fill the gap.

Acting on this opportunity, however, is not always straightforward. First and foremost, as potential deals are rarely announced to the broader market, finding and cultivating them requires extensive local knowledge and deep regional networks. Rather than concentrating on a specific sector, success depends on the ability to identify high-potential companies across a range of industries with strong competitive positioning, solid management teams, and stable cash flows.

As no two companies or situations are alike, private debt also requires the ability to tailor bespoke solutions to support each enterprise's unique capital needs, whether those include growth capital, refinancings, acquisitions or pre-IPO liquidity events. Since some firms are at a relatively early stage in their growth journey, it's critical that any investment is viewed as a partnership for the long term.

A PROMISING ASSET CLASS

Private debt is not without its challenges, but for those that get it right, the rewards can be substantial. International institutional investors are heavily invested in this asset class, and it is expected to grow quickly in the Middle East as regional investors look closer to home and begin to understand its advantages. In a generally low-yield environment, private debt has demonstrated the ability to generate robust yield and overall returns.

This is why we have launched our private debt fund and plan to develop our capabilities in the space even further going forward. In the process we're confident we'll be contributing to a more vibrant regional economy, and helping both emerging enterprises and investors achieve their goals.