

PricewaterhouseCoopers Eyes M&A Boom

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March 06, 2013



PricewaterhouseCoopers is predicting a sharp rise in the coming years as Russian companies increasingly look abroad.

Russian companies stand on the brink of a period of significant foreign mergers and acquisitions, PricewaterhouseCoopers said Wednesday.

In contrast to the main emerging markets, Russia is wary of expanding abroad, and as much as 70 percent of the deals done by Russian firms traditionally take place locally.

"The only one that really sits with Russia in terms of having a much higher percentage of local deals is Africa," said John Dwyer, PwC global deals leader. "Russia has fewer deals, and until relatively recently they were concentrated in one or two industries."

While Chinese companies struck about 120 foreign deals in 2011 and Indian companies did about 80, Russian companies were involved in only about 40.

The foreign investment of Russian companies recorded its highest levels, about \$20 billion, in 2007 and 2008, on the eve of the financial crisis. Since 2009, however, it has hovered around the \$10 billion level.

But PwC is predicting a sharp rise in the coming years as Russian companies increasingly look abroad.

"Companies within Russia have ambitions to be true global players, and as a part of that they will do large acquisitions outside Russia," said Andrew Cann, a partner at PwC.

Besides the international aspirations of Russian firms, this trend will be driven by a need to gain access to foreign technology, the chance to diversify into different markets and the availability of relatively cheap assets.

Russia has been slow to seek opportunities abroad because of the experience of companies who got burnt during the financial crisis and were forced to take big losses on foreign assets, according to PwC.

"There is an appetite to become global," said Alexander Ordinartsev, a PwC partner in Moscow. "But on the other hand, look what happened in the past."

Russian companies may also be distracted by the government's ambitious privatization program that is looking to raise \$10 billion in 2013 alone.

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