

Amazon buys Mideast's Souq.com after \$800M counteroffer (Update)

March 28 2017, by Jon Gambrell



A truck is parked at the entrance of the Souq.com warehouse in Dubai, United Arab Emirates, Monday, March 27, 2017. Dubai's Emaar Malls, a subsidiary of the state-backed construction firm Emaar, said Monday it made an \$880-million offer to buy the online retailer Souq.com amid rumors of a possible acquisition of the firm by Amazon. (AP Photo/Jon Gambrell)

Amazon purchased the Middle East's biggest online retailer Souq.com on Tuesday for an undisclosed amount, a day after a state-backed firm disclosed an \$800 million counteroffer.

A joint statement described the purchase as expanding Amazon's influence into the Mideast as the chairman of the state-supported firm Emaar prepares to launch his own retail website in a country known more for its luxury malls than online shopping.

That could put Seattle-based Amazon in a head-to-head competition with a firm helmed by one of the sheikhdom's favored business magnates.

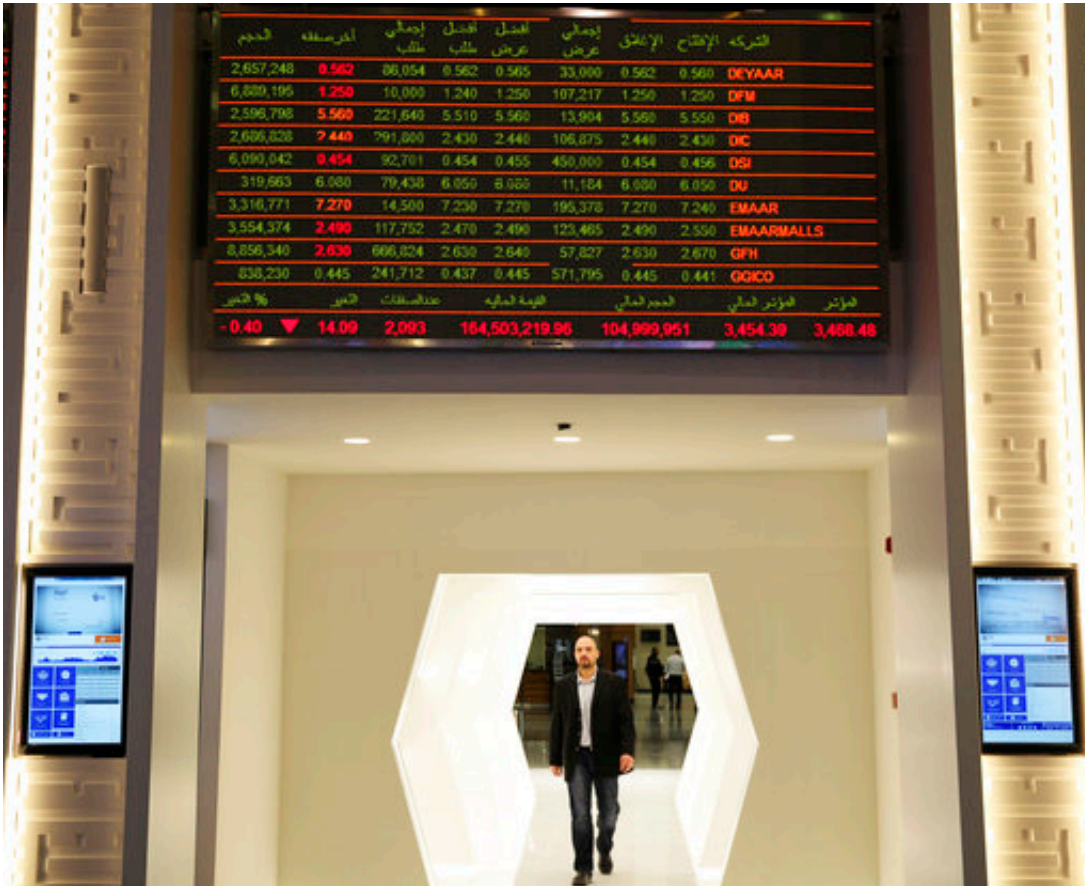
"This is a milestone for the online shopping space in the region," Souq.com co-founder and CEO Ronaldo Mouchawar said in a statement.

The announcement said the two companies expect the sale to close this year.

"Together, we'll work hard to provide the best possible service for millions of customers in the Middle East," Russ Grandinetti, a senior vice president at Amazon, said in a statement.

In buying Souq.com, Amazon will leapfrog into the crucial Mideast markets of Egypt, the United Arab Emirates and Saudi Arabia, where the Dubai-based retailer already has local operations.

As a private company, Souq.com hasn't had to file public earning reports, though the website last year raised more than \$275 million in a round of financing that the company said would help fuel its future growth.



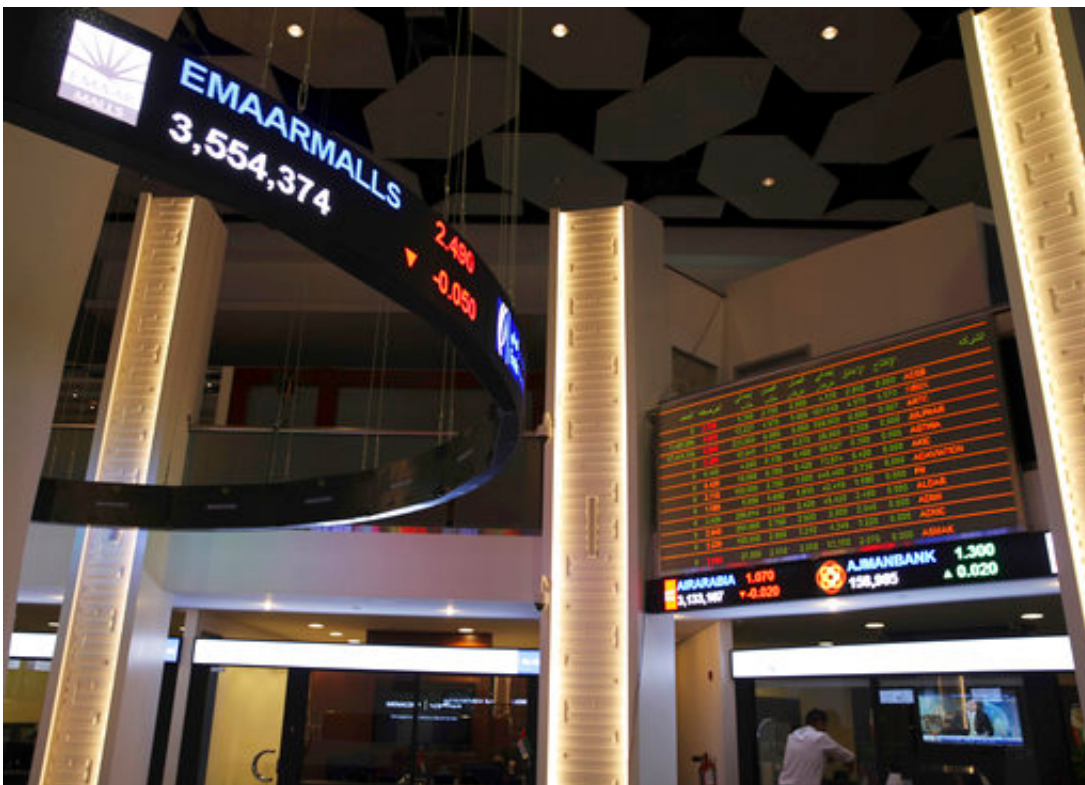
A stock ticker displays the share price and trade volume of Emaar Malls and others stock at the Dubai Financial Market in Dubai, United Arab Emirates, Monday, March 27, 2017. Dubai's Emaar Malls, a subsidiary of the state-backed construction firm Emaar, said Monday it made an \$880-million offer to buy the online retailer Souq.com amid rumors of a possible acquisition of the firm by Amazon. (AP Photo/Jon Gambrell)

Souq.com's status as a free-zone firm also means Amazon will be able to run a 100-percent foreign-owned operation. Amazon's entry into the UAE comes after Apple Inc. opened its first stores in the Arab world in Dubai and the UAE capital of Abu Dhabi in October 2015.

The website's major investors have included Tiger Global Management LLC and South Africa-based Naspers Ltd.

Rumors about Amazon's interest in Souq.com have circulated for months. In November, Emaar chairman Mohamed Alabbar reportedly met Amazon CEO Jeff Bezos at the state-backed firm's cavernous Dubai Mall, home to a massive aquarium and in the shadow of the Burj Khalifa, the world's tallest building it built.

On Monday, Emaar Malls PJSC made public its \$800-million bid for Souq.com in a filing on the Dubai Financial Market. The short filing, signed by Emaar Malls vice chairman Ahmad Thani al-Matrooshi, said the bid was made "in line with the strategy to align e-commerce with physical shopping."



Stock displays show the share price and trade volume of Emaar Malls and others stocks at the Dubai Financial Market in Dubai, United Arab Emirates, Monday, March 27, 2017. Dubai's Emaar Malls, a subsidiary of the state-backed construction firm Emaar, said Monday it made an \$880-million offer to buy the online retailer Souq.com amid rumors of a possible acquisition of the firm by

Amazon. (AP Photo/Jon Gambrell)

Last year, Alabbar received a \$1 billion investment in a forthcoming e-commerce venture from the Saudi government's Public Investment Fund, the same sovereign wealth fund that invested \$3.5 billion in the ride-hailing app Uber. That project, called noon.com, has yet to begin operations.

Alabbar also holds stakes in the delivery company Aramex, which could prove useful for his online retailer.

Dubai, the commercial capital of the United Arab Emirates, home to the long-haul carrier Emirates and the world's busiest international airport, also has luxury malls that even include an indoor ski slope. Its summer heat of over 50 degrees Celsius (122 degrees Fahrenheit) makes malls a major attraction for both shopping and leisure time in the city.

While Uber and other online services firms work in Dubai, online retail shopping has yet to truly take off like it has in Western countries. Amazon's entry into the market likely will change that.



In this Sept. 25, 2012 file photo, people shop in the Dubai Mall, in Dubai, United Arab Emirates. A subsidiary of the state-backed developer Emaar said it made an \$800-million offer to purchase the online retailer Souq.com amid rumors of a possible acquisition of the website by Amazon. A stock market filing by Emaar Malls, which runs the Dubai Mall, said the "bid has still not been accepted by the shareholders of Souq.com." (AP Photo/Kamran Jebreili, File)



In this Feb. 13, 2015, file photo, a forklift operator moves a pallet of goods at an Amazon.com fulfillment center in DuPont, Wash. The Middle East's biggest online retailer Souq.com has been bought by Amazon on Tuesday, March 28, 2017, for an undisclosed amount, a day after a counteroffer of \$800 million from the operator of Dubai's biggest mall became public. Souq.com and Amazon issued a joint statement in Dubai announcing the sale, saying it represents Amazon's entry into the Middle East. (AP Photo/Ted S. Warren, File)

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