

## GCC IPOs : 2017- The Year That Was...

### GCC IPO market in 2017 strongest in three years

The IPO market in the GCC had a robust year in 2017, after witnessing muted activity in 2015 & 2016, as trends exhibited during 2017 was higher than the prior two years combined. Total number of corporate IPOs and REIT IPOs combined in the region jumped to 25 issuances from 4 issuances witnessed in 2016 and 6 issuances witnessed in 2015, and was the highest since 2007. Capital issuances via IPOs was also at a three year high, as capital raised reached USD 3.2 Bn, compared to USD 0.7 Bn in 2016 and USD 1.5 Bn in 2015. Nevertheless, it is worth pointing out that corporate issuers were still vary of volatility in GCC markets, oil prices, and geopolitical concerns, barring which more frontline corporates would have taken the IPO route in 2017, in our view.

### Global IPOs jump 49% y-o-y in 2017, APAC dominates deal activity

The global backdrop for IPOs was also extremely robust, as deal activity witnessed in 2017 was the highest in terms of number of deals since 2007. The number of IPOs globally jumped by 49% y-o-y in 2017 to reach 1,624 deals, from 1,093 deals in 2016, according to EY. They also mentioned that proceeds in 2017 also surged by 40% y-o-y from USD 134.5 Bn in 2016 to USD 188.8 Bn in 2017. In terms of regional participation Asia Pacific reportedly continued to dominate global activity both in terms of number of deals and proceeds in 2017, as they accounted for more than 58% of deal numbers and 39% of the proceeds.

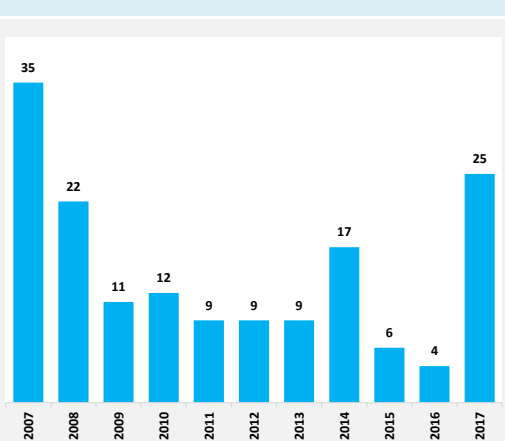
### UAE accounts for 70% of capital issuances in 2017; REITs and parallel market issuances lead activity

In the GCC, Saudi Arabia continued to provide leadership for the GCC IPO market, as they witnessed the highest number of IPOs. The number of IPOs in Saudi Arabia jumped to 16 in 2017 from 4 deals witnessed in 2016. In terms of proceeds however, UAE was the major player, accounting for over 70% of the total capital issuances, largely due to the two mega IPOs of Emaar Development (USD 1.3 Bn) and ADNOC Distribution (USD 851 Mn). Total proceeds came to over USD 2.2 Bn, while Saudi Arabia followed with capital issuances of USD 767 Mn. Unlike in 2016, where Saudi Arabia was the lone participant in GCC's IPO markets, 2017 saw more widespread participation from other GCC countries. Though activity amongst corporates in the main exchanges did not pick up substantially from the previous year in terms of the number of issues, REIT issues and parallel market IPOs more than compensated for this moderate activity and saw several issuances in 2017.

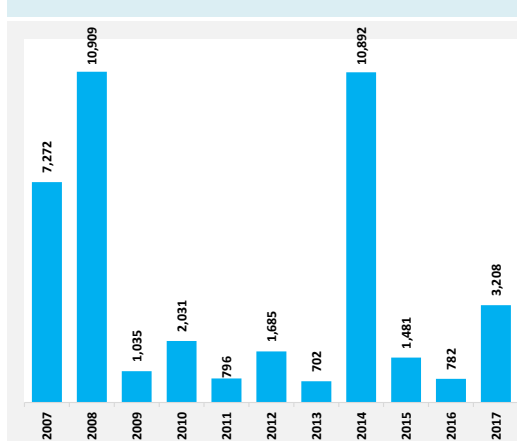
### Stronger secondary markets would be needed for frontline GCC IPO activity growth in 2018

KAMCO Research believes that the outlook for IPO markets in the GCC in 2018 will continue to depend on the alleviation of geopolitical risks, stability of oil prices, better macroeconomic data points and stable secondary capital markets. Though we feel larger corporates would look at the aforementioned conditions to go ahead with their IPOs, we expect parallel market activity in Saudi Arabia to pick up, especially with the Saudi CMA's decision to give foreign investors complete access to the Nomu index in 2018. We further expect more REITs in the region to be listed in 2018 as well. Moreover, apart from the anticipated Aramco IPO from Saudi Arabia, more state-owned enterprises (SOE) and quasi-government owned assets in the GCC are expected take the primary market (IPO) route in the medium term.

GCC number of IPOs - 2007 to 2017



GCC IPOs in USD Mn -2007 to 2017



Source: Thomson Reuters Eikon, Bloomberg, KAMCO Research

**Faisal Hasan, CFA**

Head - Investment Research

+(965) 2233 6907

[faisal.hasan@kamconline.com](mailto:faisal.hasan@kamconline.com)

**Thomas Mathew**

Assistant Vice President

+(965) 2233 6914

[thomas.mathew@kamconline.com](mailto:thomas.mathew@kamconline.com)

### Industrials & Technology were most active sectors globally by deals; financial services led issuance proceeds

In terms of exchanges which contributed to the global IPO activity, the NYSE led all exchanges in terms of capital proceeds and reportedly saw proceeds of USD 30 Bn in 2017, followed by Shanghai (SSE) (USD 20.2 Bn) and HongKong & Growth Enterprise market (USD 15.6 Bn), as per EY. Greater China reportedly was the leader in deal numbers and contributed to 36% of global primary deals. The most active sectors globally by number of deals were reportedly Industrials and technology, while Financial Services corporates led the amount of capital issuances, followed by Technology and Industrials. The IPO market in the US also saw robust activity as the number of IPOs across the NYSE and Nasdaq jumped by 55% to 174 in 2017, while proceeds rose by 84% y-o-y to reach USD 39.5 Bn.

### GCC IPO Deals List

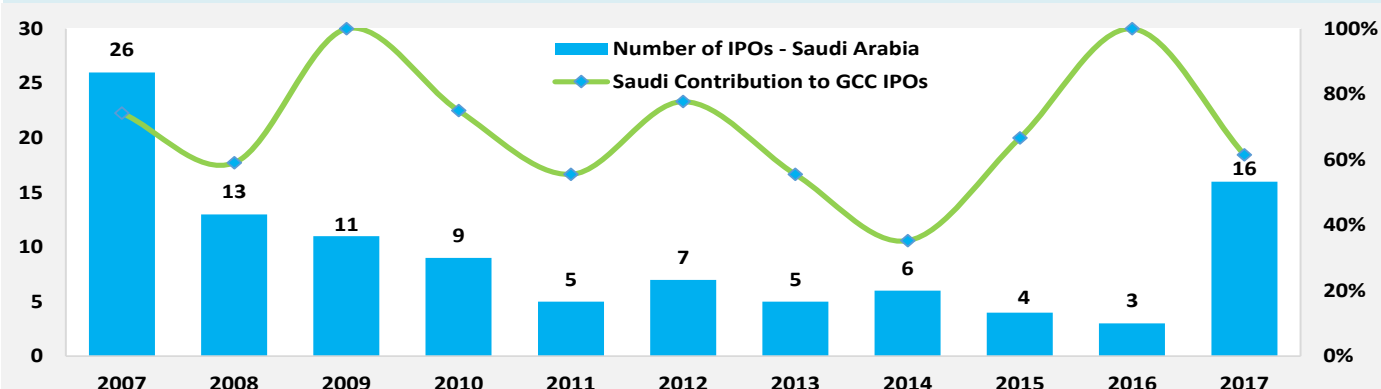
| Issuer                             | Industry                 | Exchange               | Listing Date | Offer Size<br>(USD Mn) | % Change (on IPO/listing price) |           |                  | Benchmark Index Since<br>Floatation/Listing |
|------------------------------------|--------------------------|------------------------|--------------|------------------------|---------------------------------|-----------|------------------|---|
|                                    |                          |                        |              |                        | 1st Day                         | 1st Month | Since Floatation |   |
| Corporates                         |                          |                        |              |                        |                                 |           |                  |   |
| Investment Holding Group           | Construction             | QE (Qatar)             | 07-Aug-17    | 138                    | 0.0%                            | -27.4%    | -39.0%           | -8.77%                                      |
| Zahrat Al Waha for Trading Compar  | Industrial Manufacturing | Tadawul (KSA)          | 14-Sep-17    | 61                     | 0.0%                            | 2.8%      | -3.2%            | -1.99%                                      |
| Emaar Development                  | Real Estate              | DFM (UAE)              | 22-Nov-17    | 1,313                  | -4.6%                           | -15.8%    | -15.6%           | -2.17%                                      |
| ADNOC Distribution                 | Energy                   | ADX (UAE)              | 13-Dec-17    | 851                    | 5.6%                            | 3.6%      | 6.0%             | 1.86%                                       |
| Parallel Market                    |                          |                        |              |                        |                                 |           |                  |   |
| Baazeem Trading                    | Retail                   | NOMU (KSA)             | 26-Feb-17    | 32                     | 11.2%                           | -10.3%    | -29.0%           | -47.66%                                     |
| Abdullah Saad Mohammed Abi Mo      | Consumer Goods           | NOMU (KSA)             | 26-Feb-17    | 13                     | 24.7%                           | 14.0%     | -15.3%           | -47.66%                                     |
| Al Omran Group                     | Food & Beverage          | NOMU (KSA)             | 26-Feb-17    | 9                      | 21.3%                           | 8.8%      | -37.9%           | -47.66%                                     |
| Raydan                             | Leisure & Tourism        | NOMU (KSA)             | 26-Feb-17    | 58                     | 14.6%                           | -4.4%     | -47.8%           | -47.66%                                     |
| Al Samaani Factories for Metal Ind | Industrial Manufacturing | NOMU (KSA)             | 26-Feb-17    | 5                      | 42.0%                           | 15.4%     | -15.8%           | -47.66%                                     |
| Development Works for Food         | Leisure & Tourism        | NOMU (KSA)             | 26-Feb-17    | 4                      | 43.8%                           | 45.6%     | 7.3%             | -47.66%                                     |
| Arab Sea Information Systems       | IT                       | NOMU (KSA)             | 26-Feb-17    | 6                      | 30.4%                           | 17.6%     | 9.8%             | -47.66%                                     |
| Thob Al-Aseel                      | Consumer Goods           | NOMU (KSA)             | 18-Jun-17    | 68                     | -32.2%                          | -11.6%    | -26.2%           | -19.54%                                     |
| Alkathiri Holding Co.              | Industrial Manufacturing | NOMU (KSA)             | 10-Jul-17    | 7                      | -29.0%                          | -36.5%    | -29.3%           | -10.90%                                     |
| Al Ahlia Insurance                 | Insurance                | (MSM - Parallel (Oman) | 16-Aug-17    | 19                     | 6.0%                            | 4.0%      | 10.0%            | 3.80%                                       |
| Vision Insurance                   | Insurance                | (MSM - Parallel (Oman) | 23-Aug-17    | 10                     | -13.0%                          | -12.3%    | -8.6%            | 2.91%                                       |
| National Life & General Insurance  | Insurance                | (MSM - Parallel (Oman) | 12-May-17    | 55                     | NM                              | NM        | -3.1%            | -6.13%                                      |
| Oman Qatar Insurance               | Insurance                | (MSM - Parallel (Oman) | 18-Oct-17    | 10                     | 0.0%                            | -6.3%     | -7.5%            | 0.18%                                       |
| Muscat City Desalination           | Utilities                | (MSM - Parallel (Oman) |              | 17                     |                                 |           | Traded in 2018   |   |
| REITs                              |                          |                        |              |                        |                                 |           |                  |   |
| AL Jazira Mawten REIT              | REITS                    | Tadawul (KSA)          | 16-Feb-17    | 31                     | 10.0%                           | 82.8%     | 59.5%            | 1.33%                                       |
| ENBD REIT                          | REITS                    | UAE (Nasdaq Dubai)     | 23-Mar-17    | 105                    | 0.0%                            | -6.8%     | -15.4%           | -0.58%                                      |
| Jadwa REIT Alharamain              | REITS                    | Tadawul (KSA)          | 01-May-17    | 176                    | 20.9%                           | 18.6%     | -6.5%            | 3.18%                                       |
| Taleem REIT                        | REITS                    | Tadawul (KSA)          | 31-May-17    | 23                     | 20.9%                           | 14.5%     | 9.9%             | 5.17%                                       |
| Al Maather REIT Fund               | REITS                    | Tadawul (KSA)          | 23-Aug-17    | 49                     | 13.6%                           | 7.5%      | -15.8%           | -0.52%                                      |
| Musharaka REIT Fund                | REITS                    | Tadawul (KSA)          | 01-Oct-17    | 94                     | 5.6%                            | -4.0%     | -1.6%            | -0.10%                                      |
| Mulkia REIT                        | REITS                    | Tadawul (KSA)          | 05-Nov-17    | 53                     | -3.1%                           | -11.0%    | -9.7%            | 3.55%                                       |

Source: Bloomberg, EY, Stock Exchange Filings, KAMCO Research

### Oman & Qatar saw participation in the GCC

Apart from Saudi Arabia and UAE, Oman saw significant activity in their primary capital markets, albeit from Muscat Securities Market's parallel market, as five IPOs were witnessed, four of which were Insurance players – Al Ahlia Insurance, Vision Insurance, National Life & General Insurance and Oman Qatar Insurance. The total issuance proceeds in Oman amounted to USD 112 Mn in 2017. In Qatar, the sole deal witnessed was that of Investment Holding Group with proceeds of USD 135 Mn, as corporates remained vary of the market conditions, as the benchmark and sectoral indices plunged during the year amidst regional diplomatic rifts.

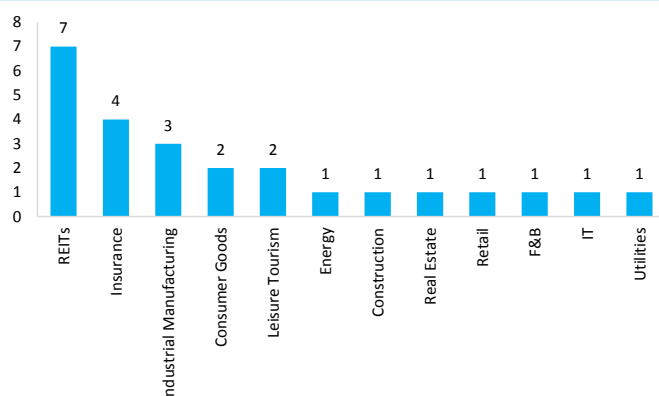
### Saudi Arabia contribution to GCC IPO activity - 2007 to 2017



Source: Thomson Reuters Eikon, Bloomberg, KAMCO Research

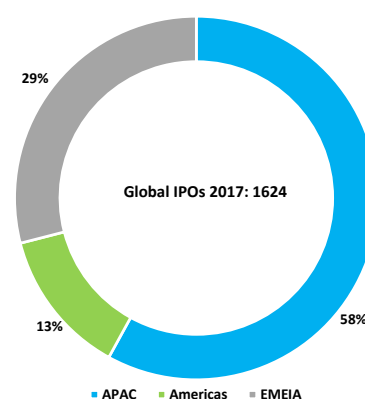
Though sectoral participation was broad-based and couple of sectors such as Real Estate and the Energy sector saw large single deals, the most active industry sub-segment in the GCC's IPO market in 2017 was clearly Real Estate Investment Trusts (REITs), as Saudi Arabia saw six REITs being listed. UAE also saw one of its exchanges, Nasdaq Dubai, list a REIT – ENBD REIT. Total Issuances from REITs in the GCC amounted to USD 536 Mn. Moreover, the demand for most of the REITs was strong, as the issues were heavily oversubscribed, which was in particular evident in the IPO of Mulika REIT which was 20 times oversubscribed, while Jadwa REIT Al Haramain Fund and Musharaka REIT were reportedly 12.5 times and 10.2 times oversubscribed respectively. Most of the corporate IPO activity in the GCC in terms of deal numbers was however dominated by the parallel markets from Saudi Arabia and Oman. This came as a result of Saudi Arabia launching its parallel market "Nomu" in an initiative to give small and medium enterprises (SMEs) the opportunity to raise capital, as the parallel market listing requirements are lighter than required by the main Tadawul index.

GCC IPOs by Industry -2017



Source: Bloomberg, KAMCO Research

Global IPO regional split - 2017



Source: EY

IPO markets globally in 2017 were aided by secondary market conditions as global markets performed well, with the MSCI World index gaining by 21.6% (2016: +5.6%), with both developed markets (+20.1%) and emerging markets (+34.3%) ending the year with strong performances. Nevertheless, higher activity in GCC's IPO markets was held back by volatility and a mixed performance from frontline GCC indices. IPO deal activity in 2018 is expected to start off with Saudi Arabia leading the way with more REIT IPOs, as Al Rajhi Capital is expected to open Al Rajhi REIT for subscription, along with Al Ahli REIT from NCB Capital. Other IPOs that are expected reportedly include Dar Al Arkan Real Estate Development reportedly listing 30% of its property management unit. In the UAE, Union Properties (DFM) is expected to take the IPO route, as it plans the sale of its facilities management unit. Bahrain is expected to participate in the corporate IPO market in 2018 as well, along with a REIT IPO reportedly expected in H1-18. The growing trend of state owned enterprises and quasi government entities listing their subsidiary businesses is expected to continue in 2018.

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**KAMCO Investment Company - K.S.C. (Public)**

Al-Shaheed Tower, Khalid Bin Al-Waleed Street- Sharq

P.O. BOX : 28873, Safat 13149, State of Kuwait

Tel: (+965) 1852626 Fax: (+965) 22492395

Email : [Kamcoird@kamconline.com](mailto:Kamcoird@kamconline.com)

Website : <http://www.kamconline.com>