

GCC IPOs : 2019 - The Year That Was...

Aramco and privatized state-owned issuances dominate GCC IPOs in 2019

The GCC IPO market witnessed a landmark year in 2019, despite a lower number of primary market issuances y-o-y from 2018. Total number of corporate IPOs in the region declined to 9 issuances in 2019 from 17 issuances and 28 issuances witnessed in 2018 and 2017, respectively. However, the year was headlined by the much-awaited IPO of Saudi Aramco announced in Q4-19, that eventually raised USD 29.4 Bn, post the listing of 1.7% of its shares. The IPO was 4.65x oversubscribed, and an additional 450 Mn shares were issued as the company exercised its greenshoe option. As a result, capital issuances in the GCC during 2019 via the IPO market jumped 12.9x y-o-y to USD 31.1 Bn. The theme for the IPO market in the region was clearly the privatization and initial public offerings of state-owned enterprises, witnessed from the IPOs of Boursa Kuwait and Shamal Az-Zour Al Oula, alongside the IPO of Saudi Aramco. The Boursa Kuwait IPO of USD 33.1 Mn (KWD 10.04 Mn) and Az-Zour Al Oula IPO of USD 181.5 Mn (KWD 55 Mn) were also oversubscribed by 8.5x and 1.27x respectively.

Global IPO deals drop 19% y-o-y in 2019; mega IPOs drive average deal size higher

Global IPO activity was down y-o-y, despite secondary markets witnessing gains in 2019, as primary equity markets were affected by US-China trade issues, geopolitical issues such as Brexit and social issues in Hong Kong. Global IPO volumes reportedly declined 19% y-o-y from 2018 to reach 1,115 IPOs in 2019, while IPO proceeds fell by 4% y-o-y from 2018, as USD 198.0 Bn was raised in 2018, as per EY. However, including the exercised greenshoe option of Saudi Aramco, IPO proceeds should have crossed USD 201 Bn in our view. The median deal size of main market IPOs according to EY, reportedly rose by 13% y-o-y to USD 76 Mn in 2019, ascribed to a higher number of mega IPOs.

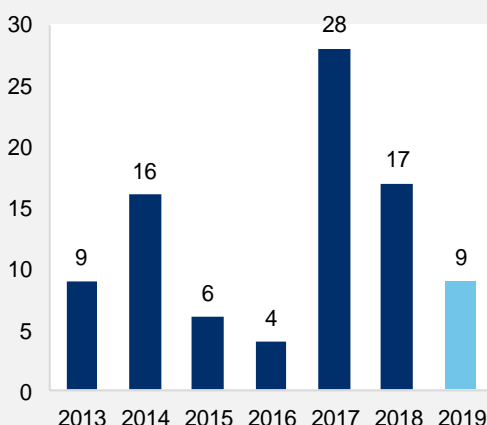
Saudi Arabia led GCC IPO activity yet again; corporate IPOs make a comeback

In the GCC, Saudi Arabia continued to provide leadership for primary markets in 2019, as 6 out of the 9 GCC IPOs debuted on the Tadawul. The IPO proceeds from Saudi Arabia barring Saudi Aramco was also larger than the rest of the GCC at USD 1.04 Bn. Mall operator Arabian Centres Company was the other key contributor with USD 658.6 Mn worth of proceeds. Kuwait's IPO market saw proceeds of USD 214.6 Mn, as both Boursa Kuwait and Az-Zour offered 50% of their shares as part of their respective IPOs.

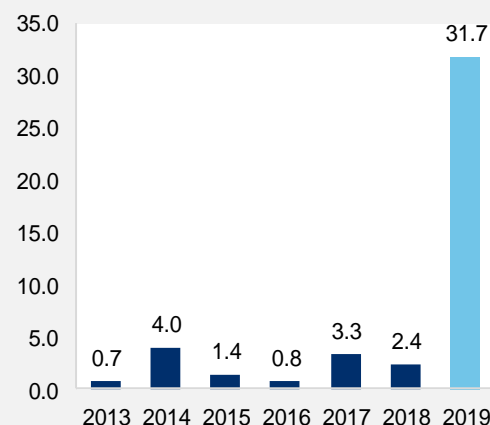
GCC IPO activity in 2020 to remain active; but secondary markets performance still key

GCC IPO markets in 2020 could see healthy activity, given that corporates who were waiting for state-owned enterprises to provide leadership in primary equity markets could enter the market. However, secondary equity markets would continue to be key for valuation in our view, along with stable geopolitics in the backdrop of impending US elections and a resolution to Brexit. Moreover, government initiatives and regulatory reforms like the Saudi Arabian CMA easing foreign strategic ownership limits of 49% would be welcome for both primary and secondary markets, as seen in 2019. Initiatives and policies that support and encourage SMEs and family business to take the IPO route, as being considered by the UAE, would also aid primary equity markets and investors to tap into entities with a wide variety of business models and product offerings.

GCC IPO volumes - 2013 to 2019



GCC IPOs in USD Bn -2013 to 2019



Source: PwC, Bloomberg, Kamco Research

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Asia Pacific continues to lead IPO activity globally; Energy and Healthcare features in top sectors

In terms of regional participation, Asia Pacific reportedly continued to dominate global activity both in terms of number of deals and proceeds in 2019, as they accounted for close to 60% of deal numbers and over 45% of the proceeds, based on EY statistics. However, on a y-o-y basis, the number of deals were down marginally by 1% and proceeds were down by 8% over the same period. Uncertainties over Brexit, and other geopolitical uncertainties reportedly drove a 47% y-o-y drop in deal volumes for the EMEA region, while a 14% y-o-y decline in capital issuances was seen as compared to 2018. IPO activity in the US dropped in 2019 after a strong 2018, as the number of IPOs on the NASDAQ and NYSE declined by 20% y-o-y in 2019 to 165, while capital proceeds receded by 5% y-o-y to reach USD 50.0 Bn. The industry split globally in 2019 was similar to 2018 in deal numbers, with Technology (263), Healthcare (174) and Industrials (147) dominating other industries. However, the Saudi size of the Aramco IPO meant that Energy featured in the top industries by proceeds, along with Healthcare.

GCC IPO deals list

Issuer	Industry	Country	Date	IPO Size (USD Mn)
Al Moammar Information Systems	Technology	Saudi Arabia	Mar-19	57.6
Maharah Human Resources Co	Consumer	Saudi Arabia	Mar-19	207.0
Arabian Centres Co Ltd	Real Estate	Saudi Arabia	Apr-19	658.6
Ataa Educational Co	Consumer	Saudi Arabia	Jul-19	92.8
Musandam Power Co	Power Utilities	Oman	Oct-19	23.1
Baladna	Consumer	Qatar	Oct-19	393.2
Saudi Arabian Oil Co	Energy	Saudi Arabia	Nov-19	29,438.4
Boursa Kuwait	Financials	Kuwait	Dec-19	33.1
Shamal Azzour	Energy	Kuwait	Dec-19	181.5

Source: Bloomberg, PwC, Kamco Research

Country-level IPO participation lower than 2018; new industries make debut

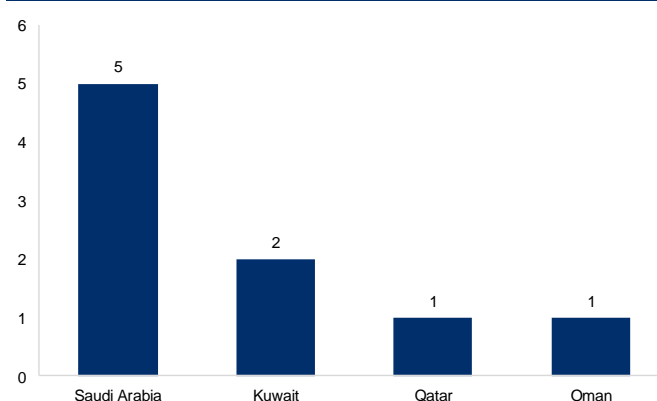
Apart from privatized state-owned issuances, other corporates witnessed lower IPO issuances, despite most GCC secondary markets witnessing gains in 2019 (MSCI GCC: +5.9%). IPO ambitions for these corporates were potentially deferred for higher investor participation in future, given that most of primary market liquidity was taken up by the IPOs of the aforementioned state-owned enterprises. Country level participation in the GCC was lower in 2019 than in 2018, when all countries saw representation in IPO activity. Qatar and Oman were the other participants in the region with Qatar's IPO of dairy company – Baladna (USD 393.23 Bn), and Oman witnessing the IPO of Musandam Power (USD 23.1 Mn), as per Bloomberg.

GCC IPO deal numbers by industry



Source: Bloomberg, PwC, Kamco Research

GCC IPO deal numbers by country



Source: Bloomberg, PwC, Kamco Research

Industry participation of IPOs in the GCC which was dominated by REIT IPOs from 2017 onwards, mainly from Saudi Arabia, saw more wider representation in 2019. Apart from Energy, Real Estate, Financials and the Consumer sector, Technology and Commercial & Professional Services sectors also participated in the region's IPO market, with the listing of Al Moammar Information Systems (USD 57.6 Mn) and Maharah Human Resources Co. (USD 207 Mn). The Education segment which remains one of the most preferred investment sectors in the GCC, with very few listed names saw the listing of the Saudi Arabian private school operator - Ataa Educational Company, as the company raised USD 92.8 Mn. In IPOs and listings on foreign exchanges, UAE based payment solutions company Network International Holdings listed on the London Stock Exchange and raised a total of USD 2.69 Bn through primary and additional offerings.

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