

GCC IPOs: 2021 - The Year That Was...

January- 2022

Standout performance from GCC IPOs in 2021; supported by global cues and valuations

After remaining active in 2020, GCC IPO issuances had a standout year in 2021, supported by secondary market valuations, and global cues in terms of performance and liquidity. Total number of IPOs from the GCC increased to 20 issuances in 2021, from 7 issuances in 2020, as per our analysis. Proceeds for 2021 from GCC issuers jumped almost 4.6x to USD 7.52 Bn from USD 1.64 Bn in 2020, based on Bloomberg and PWC estimates. IPO activity within the region picked up in-line with global IPO activity, while secondary market performance and valuations supported issuers' pursuits to come to primary capital markets, as the MSCI GCC was up 34.9% in 2021.

Saudi Exchange followed by ADX led ECM activity; SPACs see GCC sponsors

Saudi Arabia maintained its leadership position for IPO issuances from the region in 2021, as 15 out of the 20 GCC IPOs debuted on either the Tadawul or the Nomu. Saudi Arabia dominated in terms of IPO proceeds, raking in almost 62% of the issuances at around USD 4.65 Bn in 2021. Saudi Arabia also registered the largest IPO in the region in 2021 with ACWA Power (USD 1.21 Bn). ADX was the other active market with 3 deals and proceeds of USD 2.63 Bn, and witnessed the second largest regional issuance of 2021 with the IPO of ADNOC Drilling (USD 1.10 Bn). Separately, similar to global trends, SPAC IPOs were also sponsored from the GCC, with the IPO of Blue Whale Acquisition Corp I (USD 229 Mn) from Mubadala Capital listed on Nasdaq, as per Bloomberg. Blue Whale I will focus on high-quality growth companies in the media, entertainment, and technology, and is included in our IPO deals list for 2021.

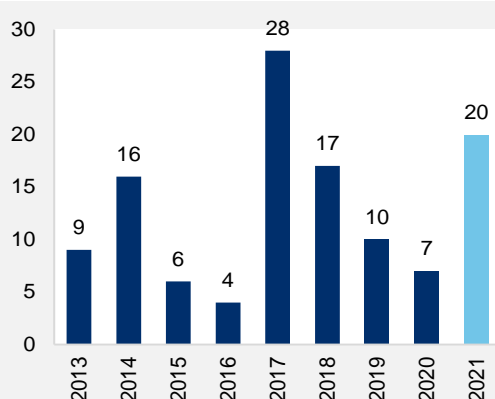
Global IPO issuances in 2021 witness highest activity in 20 years

The Covid-19 vaccine rollout optimism, rebound in global economic activity, stimulus-led liquidity, and strong stock market performance pushed global IPO markets in 2021 to witness its best year in 20 years, with 2,388 deals raising USD 453.3Bn, as per EY. Deal numbers were reportedly up by 64% y-o-y, while issuance proceeds jumped by 67% y-o-y. Technology (611 deals, proceeds of USD 147.5 Bn), Healthcare (376 deals, proceeds of USD 65.4 Bn) and Industrials (310 deals, proceeds of USD 63.1 Bn) led 2021 global IPO sectoral activity, with both Technology and Healthcare witnessing record-breaking deal numbers and proceeds in 2021, bettering record numbers set in 2020, as per EY. SPAC IPO activity continued to remain popular, as deal numbers and proceeds increased by 136% and 97% y-o-y, respectively, as per EY. The number of unicorn IPOs also reportedly doubled in 2021 with 79 unicorn IPOs raising total proceeds of USD 83 Bn (2020: 31 unicorn IPOs for USD 31.6 Bn).

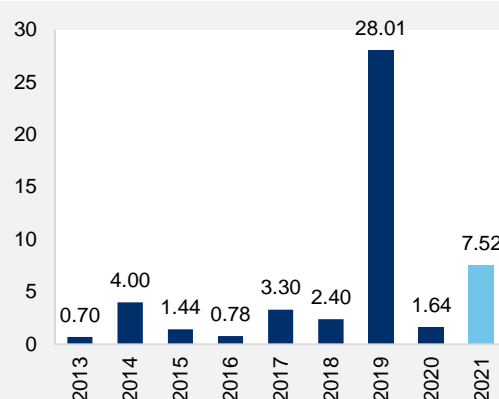
Potential headwinds for GCC IPO activity in 2022; but market valuations will have final say

A number of potential risks do appear in 2022, that could impact IPO activity within the region, after a stellar 2021 performance. However, IPO pipelines remain strong from both corporates and potential listings of state-owned assets. Saudi Arabia's stock exchange reportedly has 50 applications for IPOs in 2022, while Dubai announced the listing of 10 government and state-owned companies for the year. Regulators are also considering different vehicles such as SPACs and market maker funds to improve liquidity and participation within their respective stock markets. We therefore believe that a strong pipeline, steady market valuations and regulator support are enough catalysts to keep GCC IPO market activity strong in 2022, and expect Saudi and UAE (DFM & ADX) stock exchanges to continue to lead the region in terms of issuances.

GCC IPO volumes - 2013 to 2021



GCC IPO proceeds (USD Bn) - 2013 to 2021



Source: Kamco Invest Research, Bloomberg, PWC, IPOs include international issuances from corporates domiciled /headquartered or doing business within GCC

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Globally, the highest growth was registered from EMEA exchanges as deal numbers and proceeds grew by 158% and 214% respectively y-o-y, as per EY, reportedly due to the pent-up demand, that was held back as the European markets navigated Brexit and other geopolitical factors. The US continued to reportedly dominate global IPO markets, as it contributed to around 80% of the Americas region deals, pushing the regional deal count higher by 87% y-o-y to 528 deals, while issuances reached USD 174.6 Bn. In Asia-Pacific, issuances continued to climb in 2021, with deal numbers (1,136) and proceeds (USD 169.3 Bn) up 28% and 22% respectively y-o-y, as per EY. Growth was however relatively more modest than witnessed in prior years, as activity on Mainland China and Hong Kong stock exchanges slowed in H2-2021, reportedly due to tighter regulations on Chinese companies looking to complete an overseas IPO and certain sectoral policy changes.

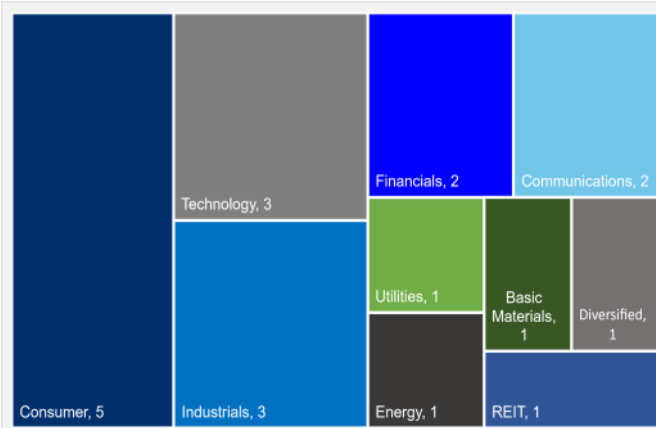
GCC IPO deals list

Issuer	Sector	Country - Exchange	Quarter	IPO Size (USD Mn)
AlKhorayef Water & Power Technology	Industrial	Saudi Arabia - Main	Q1-2021	143.9
Theeb Rent A Car Co	Consumer	Saudi Arabia - Main	Q1-2021	137.5
Oman REIT Fund	REIT	Oman - MSX	Q1-2021	13
International Co For Water & Power Projects	Utilities	Saudi Arabia - Main	Q3-2021	1,212.4
Arabian Internet & Communication	Technology	Saudi Arabia - Main	Q3-2021	966.3
AL Yah Satellite Communication Services	Communications	UAE - ADX	Q3-2021	730.7
Tanmiah Food Co	Consumer	Saudi Arabia - Main	Q3-2021	107.2
Shatirah House Restaurant Co	Consumer	Saudi Arabia - Nomu	Q3-2021	31.9
Blue Whale Acquisition Corp I	Diversified SPAC	UAE - Nasdaq	Q3-2021	229.4
ADNOC Drilling Co PJSC	Energy	UAE - ADX	Q4-2021	1,102.1
Saudi Tadawul Group Holding Co	Financials	Saudi Arabia - Main	Q4-2021	1,007.7
Fertiglobe plc	Basic Materials	UAE - ADX	Q4-2021	795.3
Arabian Contracting Services Co	Communications	Saudi Arabia - Main	Q4-2021	400.0
Nayifat Finance Co	Financials	Saudi Arabia - Main	Q4-2021	317.3
Almunajem Foods Co	Consumer	Saudi Arabia - Main	Q4-2021	287.9
Group Five Pipe Saudi Ltd	Industrials	Saudi Arabia - Main	Q4-2021	26.1
AL Hasoob Co	Consumer	Saudi Arabia - Nomu	Q4-2021	7.1
Advance International	Technology	Saudi Arabia - Nomu	Q4-2021	0.1
Jahez International Company for Information and Technology	Technology	Saudi Arabia - Nomu	Q4-2021	0.5
Al Wasail Industrial Company	Industrials	Saudi Arabia - Nomu	Q4-2021	0.7

Source: Bloomberg, PWC, Kamco Invest Research

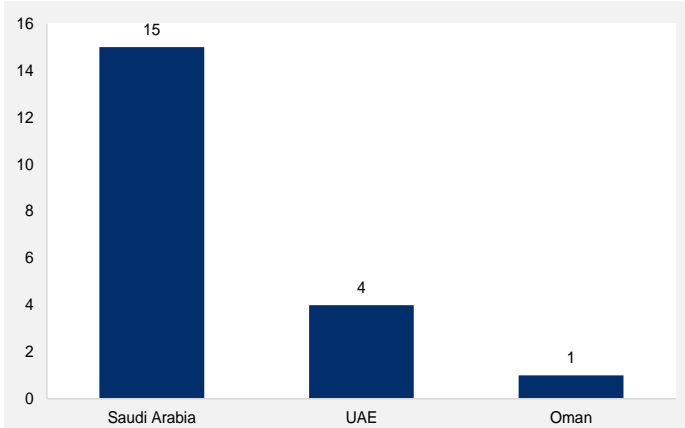
In terms of sectoral split, Consumer (5) led all sectors in terms of deal numbers, with participation from both consumer staples and consumer discretionary plays. Technology (3) and Industrials (3) were the other broad sectors which saw IPO forays; however, it is important to note that most corporates that took to primary market issuances had distinct product lines and business models to peers. Apart from IPOs, GCC corporates also took the direct listing route, which was once again dominated by Saudi Arabia, as the Nomu witnessed 8 direct listing deals, which included Watani Steel, Banan Real Estate and Natural Gas Distribution. The Qatar Exchange Venture Market Program (QEVM), where SMEs are listed and trading, saw the direct listings of Al Faleh Educational Holding and Mekdam Holding Group (Mekdam). Kuwait witnessed the direct listing of industrials player Jassim Transport & Stevedoring Co. Similar to H2-2020, GCC IPO markets were particularly active in H2-2021.

GCC IPO deal numbers by sector



Source: Bloomberg, PWC, Kamco Invest Research

GCC IPO deal numbers by country



Regulators and government support also contributed to enhance primary market activity, as Abu Dhabi Securities Exchange (ADX) remains well on course to achieving certain parameters of its new “ADX ONE” strategy announced in early 2021, like the doubling market capitalization over the next three years. Other parameters that were announced were the increase of market liquidity, initiatives to launch derivatives trading, an investor relations guide and a program to support research coverage of stocks, further improving market efficiency. Separately, Qatar Stock Exchange (QSE) announced the launch of the QE Venture Market (QEVN), which provides a listing and trading venue for small and medium-sized enterprises (SMEs) that do not fulfil the listing requirements of the main market.

Potential risks for regional IPO markets include new waves and variants of Covid-19, interest rate hikes, global supply chain disruptions, geopolitics, stock market volatility and oil price volatility. Nevertheless, we expect secondary market valuations and stock market performance to be the more important considerations for corporates and potential IPO forays in 2022, as GCC corporates would like to capitalize on valuations and liquidity that currently prevail in the market.

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