

GCC IPOs : 2015 - The Year That Was...

The IPO market in the GCC saw muted activity in 2015, after the breakaway year witnessed in 2014, as trends exhibited during the year were similar to post crisis activity observed between 2009-13. Total number of IPOs/listings in the region fell by approximately 65% y-o-y to 6 issuances from 17 deals witnessed in 2014. After almost equaling the pre-crisis highs of capital issuances via IPOs in 2014 (USD 10.89 Bn), total capital raised during 2015 plunged by 86% y-o-y to USD 1.48 Bn.

Corporates looking to enter the market remained cautious during the year, as the significant drop in oil prices that transpired during 2015, coupled with geopolitical concerns and global economic uncertainty weighed heavily on IPO issuances and equity markets. KSA remained the most active IPO market in the GCC in 2015, as it saw 4 out of the region's 6 IPO deals listed on its exchange.

Globally as well, IPO trends receded in 2015, albeit at a slower pace compared to the GCC, as the number of IPO issuances fell by 2% to 1218 deals, while capital raised declined by 25% to USD 195.5 Bn, as per EY. The Asia Pacific region reportedly dominated IPO activity globally in 2015 with 55% of the deals, despite the freeze of Chinese exchanges on IPOs for a period of time during the year.

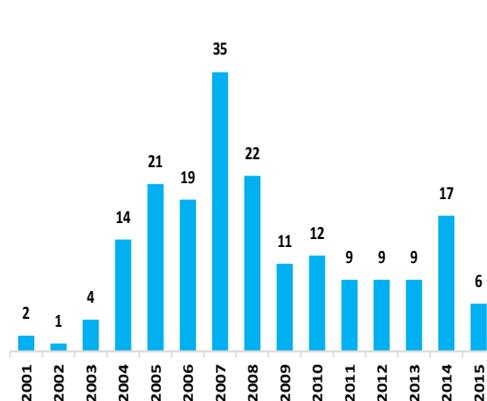
Barring already announced IPOs in the GCC for 2016, the year forward is likely to push issuers with ambitions of listing to put their plans on hold, until market conditions improve and aforementioned concerns considerably alleviate.

Regional IPO activity in the GCC came to a standstill in the back-half of 2015, as no listings were observed during H2-2015, barring the listing of Al-Andalus Real Estate Company in Saudi Arabia during December-15, which closed by the end of the year. The stock is up for listing during the first week of 2016. Post 2014, activity slowed down in Q1-15, but picked up pace in Q2-15, as bulk of the capital issuances (five out of six listings) were recorded during the quarter.

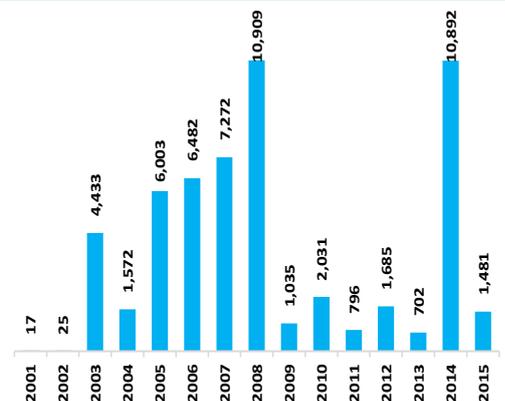
Though H2-15 was affected by the lull of business activity during Eid & summer holidays, **the slowdown in listings was mostly ascribed to the negative sentiment prevalent in the market from falling oil prices, growing geopolitical concerns and broader economic uncertainty.** As a result, the number of deals in 2015 even dipped lower than activity observed during 2011-13 (9 listings average). The high level of capital acquired through the primary market in 2014 was boosted by the listing of National Commercial Bank (NCB) of KSA which amounted to approximately USD 6 Bn. Nevertheless, capital issuances dropped by over 69% y-o-y in 2015, even after excluding NCB's IPO.

In terms of industries which achieved the highest number of IPOs, the Industrial Manufacturing sector achieved two issuances during 2015; and remained the prominent sector behind Financial services in terms of issuances during the past 15 years. On the other hand, after a year dominated by Financial Services (in 2014), the Transportation sector raised the largest amount of capital at approximately USD 752 Mn in 2015, from the IPO of Saudi Ground Services Company.

GCC number of IPOs - 2001 to 2015



GCC IPOs in USD Mn—2001 to 2015



Source: Zawya, KAMCO Research

Faisal Hasan, CFA

Head - Investment Research

+(965) 2233 6907

faisal.hasan@kamconline.com

Thomas Mathew

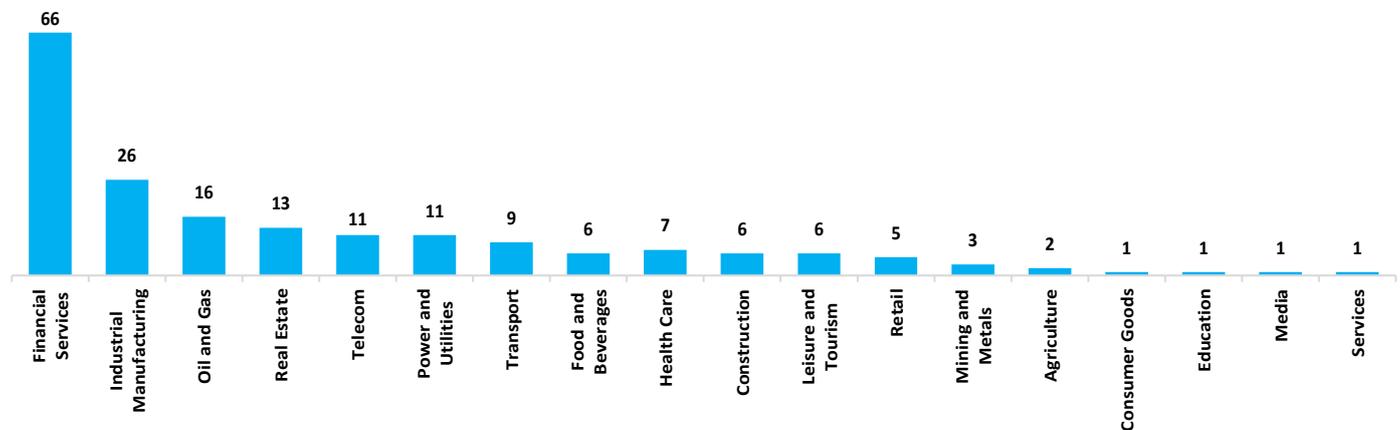
Senior Financial Analyst

+(965) 2233 6914

thomas.mathew@kamconline.com

GCC IPOs

GCC IPOs by Industry - 2001 to 2015



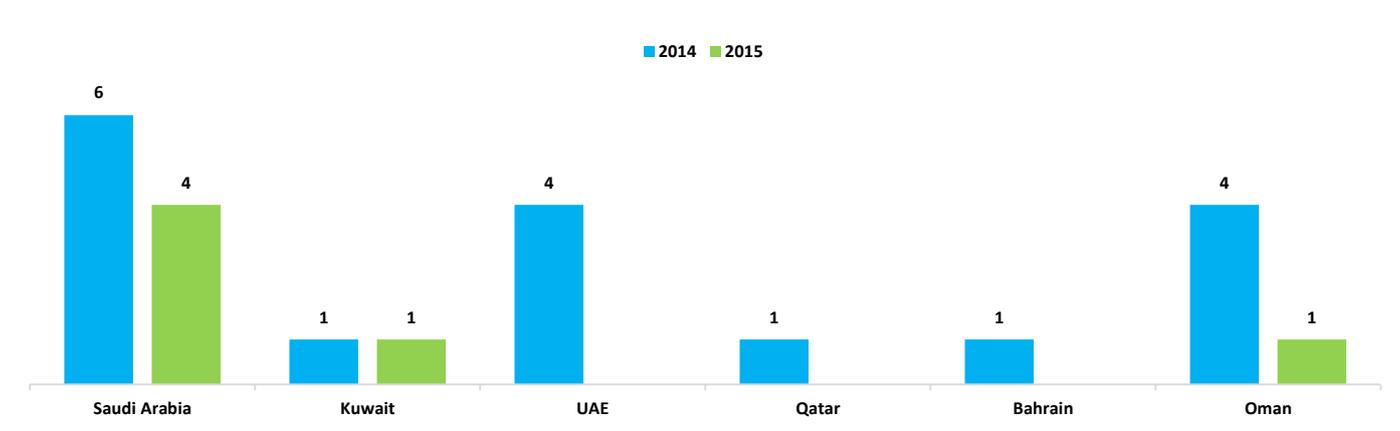
Source: Zawya, KAMCO Research

After witnessing broad based participation from all GCC states in the IPO market in 2014, 2015 saw only KSA, Kuwait and Oman take the primary market route. The IPO market in Kuwait which had dried up significantly since 2008, in the aftermath of the global financial slowdown, saw its first significant listing since then, as Mezzan Holding - the food and beverage major, raised USD 228 Mn through its primary listing on the KSE. In Oman, Power & Utilities player -Phoenix Power Company raised approximately USD 146 Mn through its IPO.

KSA continued to remain the dominant player in the region’s primary capital markets, notching up over USD 1Bn through capital issuances and securing over half of the deals witnessed in the GCC. Furthermore, apart from Saudi Ground Services Company, TASI further listed Saudi Company for Hardware (USD 134 Mn) and Middle East Paper Co. (USD 120 Mn) on the exchange during the year.

The IPO space in the GCC for 2016 is likely to witness a slow start, as corporates would remain cautious about capital raising through primary markets and would look to gauge market appetite for their issuances. More corporates are likely to push their issuances to the back-half of 2016 or the outer years, until risk appetite returns to primary markets and uncertainties revolving around oil price, headwinds in the form of geopolitical risks and global economic growth concerns, mainly China dissipate. Upcoming IPOs in the region for the coming year would include Middle East Health Care Co. from KSA, as the company will offer 30% of its shares (27.6 Mn shares) through in its initial share sale.

GCC IPOs by country - 2015 vs. 2014



Source: Zawya, KAMCO Research

All IPOs listed in the GCC during 2015 remained oversubscribed, with Phoenix Power Company from Oman receiving the maximum response from investors, as the issue was oversubscribed by 15 times. Saudi Company for Hardware from KSA received significant positive response as well, as the issue was oversubscribed by over 6 times, followed by Saudi Ground Services Company from KSA which saw its IPO being oversubscribed by 3.4 times.

Of the five names that were listed on GCC exchanges during 2015, three names closed the year in the green. This resulted in an average performance of c.20% for stocks listed during 2015. Mezzan Holding, which was witnessed its listing in Jun-15 led the way as it's share price ended the year by gaining over 56%, as against -10% for the KSE weighted index during the same period. Saudi Company for Hardware (KSA) and Phoenix Power Company (Oman) followed with gains of over 42% and 31% for the year respectively. Middle East Paper Co. (KSA) and Saudi Ground Services Co. (KSA) lost ground post listing, driven by the overall negative performance from the TASI index, as the listings ended the year lower by over 20% and 9% respectively.

| Issuer | Industry | Exchange | Listing Date | Oversubscribed | % Change (on IPO/listing price) | | | Benchmark Index Since Floatation/Listing |
|----------------------------|--------------------------|----------|--------------|----------------|---------------------------------|-----------|------------------|--|
| | | | | | 1st Day | 1st Month | Since Floatation | |
| Saudi Ground Services Co. | Transport | KSA | 25-Jun-15 | 3.4X | 10.0% | 54.5% | -9.5% | -25.8% |
| Phoenix Power Co. | Power & Utilities | Oman | 22-Jun-15 | 15X | 36.4% | 40.0% | 30.9% | -16.2% |
| Saudi Co. for Hardware | Industrial Manufacturing | KSA | 17-May-15 | 6.2X | 10.0% | 94.1% | 42.2% | -29.0% |
| Middle East Paper Co. | Industrial Manufacturing | KSA | 3-May-15 | .01X | 33.0% | 54.7% | -20.7% | -29.0% |
| Mezzan (Listing) | Food & Beverage | Kuwait | 10-Jun-15 | | 32.4% | 40.5% | 56.8% | -10.3% |
| Al-Andalus Real Estate Co. | Real Estate | KSA | Yet to list | - | -% | -% | -% | - |

Source: Zawya, Bloomberg, KAMCO Research

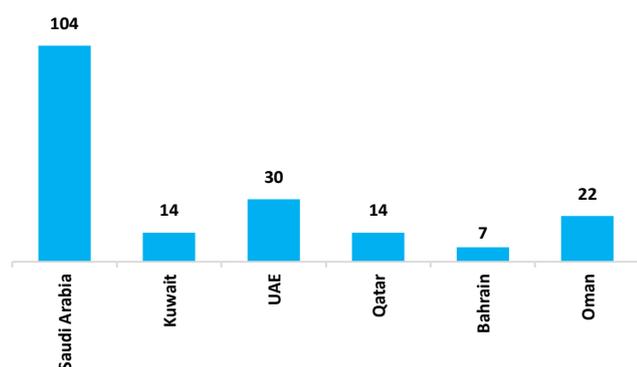
Global IPOs

Global IPOs - Cautious optimism to prevail

Globally, despite falling short of the standout year achieved in 2014, IPOs in 2015 were in line with the 10-year annual global median of 1,241 deals raising USD 176.1Bn, according to the EY based on data collected until early Dec-15. The global IPO market for the year reportedly reflected mixed trends across regions as compared to 2014, largely ascribed to the greater range of financing options available to corporates and the volatile environment prevalent in equity markets. The Asia-Pacific region was the only region to improve on its IPO activity in 2015 as compared to 2014, with 673 deals raising USD 90.2 Bn, up 20% and 8% y-o-y.

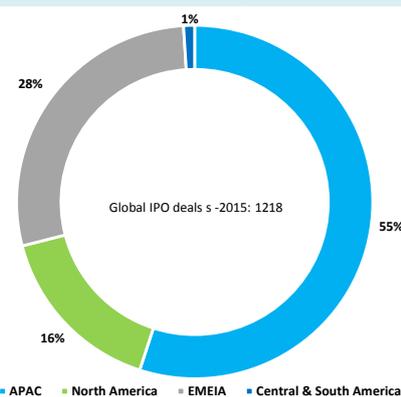
The EMEIA region which includes Middle East and India came in second both in terms of IPO deal numbers and proceeds. Nevertheless capital raised was down 10% y-o-y, at USD 67.1 Bn, while the number of deals fell 5% y-o-y to 346 IPOs. US IPOs witnessed a challenging year in 2015, as the number of technology IPOs diminished, reportedly due to the marked rise in the availability of private capital. IPO deal numbers were down 41% from 2014 at 173 deals, and capital raised through primary issues were down 65% to USD 33.3 Bn.

GCC IPOs by country - 2001 to 2015



Source: Zawya, KAMCO Research

Global IPO regional split - 2015



Source: EY, KAMCO Research

Over 2001-15, Financial Services continued to remain the most active industry in the GCC at the IPO market with 66 deals. Industrial Manufacturing followed with 26 capital issuances followed by Oil & Gas (26) and Real Estate (16). Cautious optimism is expected to prevail in 2016, as volatility, electoral uncertainty and the impact of geopolitical shocks are expected to have significant impact on the IPO market in 2016.

Disclaimer & Important Disclosures

KAMCO is authorized and fully regulated by the Capital Markets Authority ("CMA, Kuwait") and partially regulated by the Central Bank of Kuwait ("CBK")

This document is provided for informational purposes only. Nothing contained in this document constitutes investment, an offer to invest, legal, tax or other advice or guidance and should be disregarded when considering or making investment decisions. In preparing this document, KAMCO did not take into account the investment objectives, financial situation and particular needs of any particular person. Accordingly, before acting on this document, investors should independently evaluate the investments and strategies referred to herein and make their own determination of whether it is appropriate in light of their own financial circumstances and objectives. The entire content of this document is subject to copyright with all rights reserved. This research and the information contained herein may not be reproduced, distributed or transmitted in Kuwait or in any other jurisdiction to any other person or incorporated in any way into another document or other material without our prior written consent.

Analyst Certification

Each of the analysts identified in this report certifies, with respect to the sector, companies or securities that the individual analyses, that (1) the views expressed in this report reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly dependent on the specific recommendations or views expressed in this report.

KAMCO Ratings

KAMCO investment research is based on the analysis of regional and country economics, industries and company fundamentals. KAMCO company research reflects a long-term (12-month) target price for a company or stock. The ratings bands are:

- * **Outperform:** Target Price represents expected returns $\geq 10\%$ in the next 12 months
- * **Neutral:** Target Price represents expected returns between -10% and $+10\%$ in the next 12 months
- * **Underperform:** Target Price represents an expected return of $< -10\%$ in the next 12 months

In certain circumstances, ratings may differ from those implied by a fair value target using the criteria above. KAMCO policy is to maintain up-to-date fair value targets on the companies under its coverage, reflecting any material changes to the analyst's outlook on a company. Share price volatility may cause a stock to move outside the rating range implied by KAMCO's fair value target. Analysts may not necessarily change their ratings if this happens, but are expected to disclose the rationale behind their view to KAMCO clients.

Any terms and conditions proposed by you which are in addition to or which conflict with this Disclaimer are expressly rejected by KAMCO and shall be of no force or effect. The information contained in this document is based on current trade, statistical and other public information we consider reliable. We do not represent or warrant that such information is fair, accurate or complete and it should not be relied upon as such. KAMCO has no obligation to update, modify or amend this document or to otherwise notify a recipient thereof in the event that any opinion, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. The publication is provided for informational uses only and is not intended for trading purposes. The information on publications does not give rise to any legally binding obligation and/or agreement, including without limitation any obligation to update such information. You shall be responsible for conducting your own investigation and analysis of the information contained or referred to in this document and of evaluating the merits and risks involved in the securities forming the subject matter of this or other such document. Moreover, the provision of certain data/information in the publication may be subject to the terms and conditions of other agreements to which KAMCO is a party.

Nothing in this document should be construed as a solicitation or offer, or recommendation, to acquire or dispose of any investment or to engage in any other transaction, or to provide any investment advice or service. This document is directed at Professional Clients and not Retail Clients within the meaning of CMA rules. Any other persons in receipt of this document must not rely upon or otherwise act upon it. Entities and individuals into whose possession this document comes are required to inform themselves about, and observe such restrictions and should not rely upon or otherwise act upon this document where it is unlawful to make to such person such an offer or invitation or recommendation without compliance with any authorization, registration or other legal requirements.

Risk Warnings

Any prices, valuations or forecasts are indicative and are not intended to predict actual results, which may differ substantially from those reflected. The value of an investment may go up as well as down. The value of and income from any investment may fluctuate from day to day as a result of changes in relevant economic markets (including, without limitation, foreseeable or unforeseeable changes in interest rates, foreign exchange rates, default rates, prepayment rates, political or financial conditions, etc.).

Past performance is not indicative of future results. Any opinions, estimates, valuations or projections (target prices and ratings in particular) are inherently imprecise and a matter of judgment. They are statements of opinion and not of fact, based on current expectations, estimates and projections, and rely on beliefs and assumptions. Actual outcomes and returns may differ materially from what is expressed or forecasted. There are no guarantees of future performance. Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. This document does not propose to identify or to suggest all of the risks (direct or indirect) which may be associated with the investments and strategies referred to herein.

Conflict of Interest

KAMCO and its affiliates provide full investment banking services, and they and their directors, officers and employees, may take positions which conflict with the views expressed in this document. Salespeople, traders, and other professionals of KAMCO may provide oral or written market commentary or trading strategies to our clients and our proprietary trading desks that reflect opinions that are contrary to the opinions expressed in this document. Our asset management area, our proprietary trading desks and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this document. KAMCO may have or seek investment banking or other business relationships for which it will receive compensation from the companies that are the subject of this document. Facts and views presented in this document have not been reviewed by, and may not reflect information known to, professionals in other KAMCO business areas, including investment banking personnel. United Gulf Bank, Bahrain owns majority of KAMCO's shareholding and this ownership may create, or may create the appearance of, conflicts of interest.

No Liability & Warranty

KAMCO makes neither implied nor expressed representations or warranties and, to the fullest extent permitted by applicable law, we hereby expressly disclaim any and all express, implied and statutory representations and warranties of any kind, including, without limitation, any warranty as to accuracy, timeliness, completeness, and fitness for a particular purpose and/or non-infringement. KAMCO will accept no liability in any event including (without limitation) your reliance on the information contained in this document, any negligence for any damages or loss of any kind, including (without limitation) direct, indirect, incidental, special or consequential damages, expenses or losses arising out of, or in connection with your use or inability to use this document, or in connection with any error, omission, defect, computer virus or system failure, or loss of any profit, goodwill or reputation, even if expressly advised of the possibility of such loss or damages, arising out of or in connection with your use of this document. We do not exclude our duties or liabilities under binding applicable law.



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

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