

GCC IPOs : 2018- The Year That Was...

GCC IPO market remains active in 2018, but yet to take off

The IPO market in the GCC remained active in 2018, although primary market issuances cooled off from 2017 levels both in terms of number of issuances and capital raised. Total number of corporate IPOs and REIT IPOs combined in the region declined to 18 issuances from 28 issuances witnessed in 2017, but remained higher than the activity witnessed in 2015 (6 issuances) and 2016 (4 issuances). Capital raised via IPOs declined by 18% from USD 3.3 Bn in 2017 to USD 2.7 Bn in 2018. Nevertheless, unlike in 2017 where REITs dominated the IPO market in the GCC, corporate IPOs led primary markets in 2018, as they contributed to 56% of the number of issuances and 62% of the capital raised. Moreover, it is worth pointing out the GCC witnessed the widest participation from issuers within the region, as capital was raised from issuers from all six GCC countries. Having said that, although the IPO market in the region has picked up in 2017 and 2018, corporate issuers continue to look for reduced volatility in oil prices, and a stable near term outlook for secondary markets within the region, to take to the primary market.

Global IPO deals drop 21% y-o-y in 2018; mega IPOs drive capital issuances 6% higher

Global IPO activity in 2018 was mixed, even as equity markets waded through ongoing trade rifts between US and China, geopolitics, and volatility in secondary equity markets, after starting the year strong with higher liquidity and strong valuations. Global IPO volumes reportedly declined 21% y-o-y from 2017 to reach 1,359 IPOs in 2018, while IPO proceeds grew by 6% y-o-y from 2017, as USD 204.8 Bn was raised in 2018, as per EY. According to EY, mentioned that the increase in capital proceeds was largely driven by a number of unicorn IPOs (40 IPOs raked in USD 32.2 Bn) and mega IPOs.

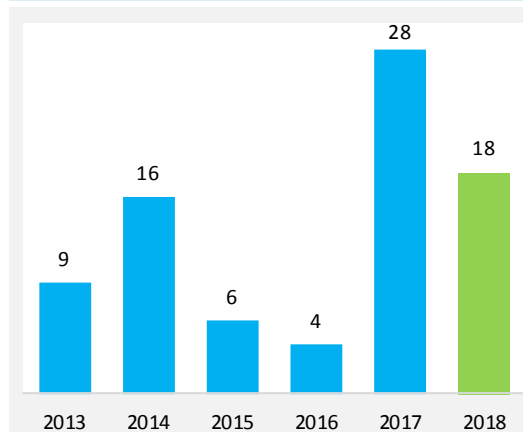
Saudi continues to lead GCC IPO activity; Qatar's QAMCO IPO region's largest in 2018

In the GCC, Saudi Arabia continued to provide leadership for primary markets in 2018, as the Kingdom led in terms of number of IPOs and capital raised. Saudi Arabia contributed 11 IPOs (including REIT IPOs), and accounted for USD 1.33 Bn worth of capital proceeds in 2018. The largest capital issuance came from Qatar, as Qatar Aluminum Manufacturing Company (QAMCO) raised USD 755 Mn from its IPO, that was oversubscribed by over 2.5 times.

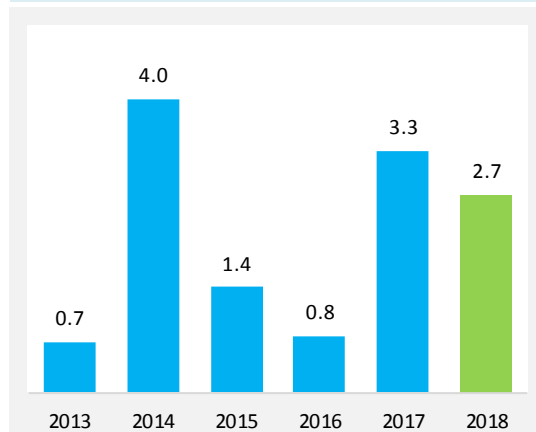
GCC IPO activity in 2019 to depend on lower volatility in secondary markets and oil prices

KAMCO Research believes that the outlook for IPO markets in the GCC in 2019 will continue to depend on secondary equity markets and stability of oil prices, even as GCC governments continue to propel the non-oil economy by largely maintaining their budget spending. Issuers are likely to watch the development of secondary markets early on in 2019, and also ascertain whether taking the debt market route for capital needs would be viable. REIT IPO volumes are likely to come down over structural issues affecting fundamental demand for real estate, and declining spreads between returns of REITs and deposit rates for safer time deposits going forward. Nevertheless, we believe that companies from the GCC with unique business models, industry classification and ability to show capital efficiency should continue to garner increased interest from both the local and international investors looking at IPO participation.

GCC IPO volumes - 2013 to 2018



GCC IPOs in USD Bn -2013 to 2018



Source: PwC, Bloomberg, KAMCO Research

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Asia Pacific lead IPO activity globally; Technology IPOs led all sectors

In terms of regional participation, Asia Pacific reportedly continued to dominate global activity both in terms of number of deals and proceeds in 2018, as they accounted for more than 49% of deal numbers (2017: 57%) and 48% of the proceeds (2017: 39%), based on EY statistics. Uncertainties over Brexit, political change in Germany and Italy affected European and EMEA economies, as EY highlighted that EMEA exchanges witnessed a 16% y-o-y drop in deal volumes, and a 26% y-o-y decline in capital issuances in 2018, as compared to 2017. IPO activity in the US continued to remain strong, as the number of IPOs on the NASDAQ and NYSE improved by 14% y-o-y in 2018 to 205, while capital proceeds jumped by 31% y-o-y to reach USD 52.8 Bn. Investors reportedly kept a balance between defensive and growth sectors, as the highest number of deals globally came from Technology, Industrials and Healthcare companies, while Technology led the amount of capital issuances, followed by Telecom and Financials.

GCC IPO deals list

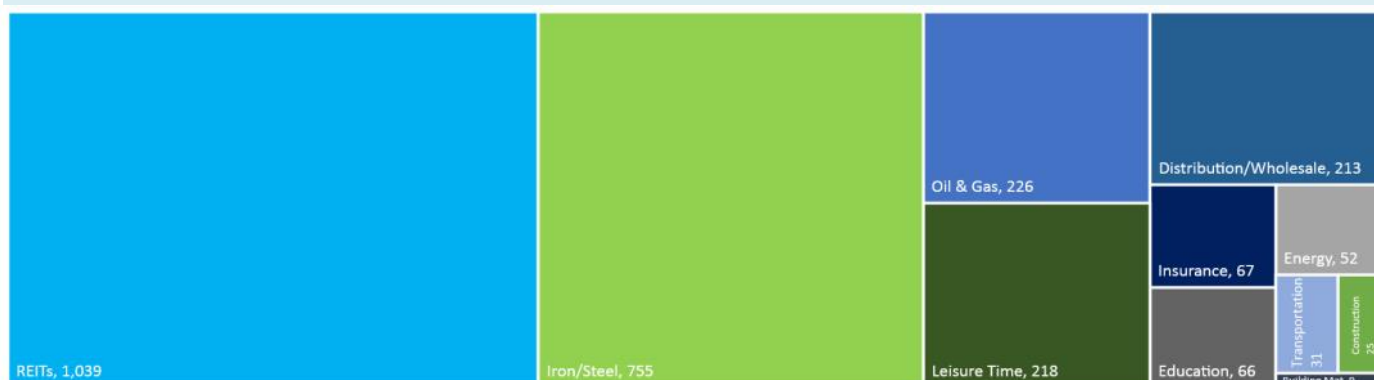
Issuer	Industry	Exchange	Listing Date	Offer Size (USD Mn)	Performance - 2018 (% change over Offer Price)
Corporates					
National Building and Marketing	Building Materials	Tadawul (KSA)	Apr-18	8.6	63.0%
Dhofar Generating Company	Energy	MSM (Oman) - Parallel Market	May-18	52.0	-3.6%
Arabia Falcon Insurance Co	Insurance	MSM (Oman) - Parallel Market	May-18	3.7	-36.8%
Shelf Drilling Ltd	Oil&Gas	UAE company listed on Oslo Exchange	Jun-18	226.1	-33.4%
RA International Group PLC	Construction	UAE company list on LSE's AIM	Jun-18	25.0	-21.4%
Integrated Holding Co KCSC	Distribution/Wholesale	Boursa Kuwait	Jul-18	213.2	15.2%
Leejam Sports Co JSC	Leisure Time	Tadawul (KSA)	Sep-18	217.9	11.9%
National Co for Learning & Education	Education	Tadawul (KSA)	Nov-18	65.9	19.1%
Qatar Aluminum Manufacturing Company	Iron/Steel	Qatar Exchange	16-Dec-18	754.5	33.5%
APM Terminals Bahrain BSC	Transportation	Bahrain Bourse	Dec-18	31.5	25.0%
REITs					
Al Mashaar REIT	REITs	Tadawul (KSA)	Jan-18	152.6	-29.0%
Jadwa REIT Saudi Fund	REITs	Tadawul (KSA)	Feb-18	126.4	-12.5%
Al Rajhi REIT	REITs	Tadawul (KSA)	Mar-18	113.8	-18.2%
Derayah REIT	REITs	Tadawul (KSA)	Mar-18	96.5	-16.5%
Sedco Capital REIT Fund	REITs	Tadawul (KSA)	May-18	173.3	-20.0%
Bonyan REIT	REITs	Tadawul (KSA)	Jul-18	173.7	-17.0%
Swicorp Wabel REIT	REITs	Tadawul (KSA)	Aug-18	94.4	-14.7%
MEFIC REIT	REITs	Tadawul (KSA)	Nov-18	107.9	-18.5%

Source: Bloomberg, PwC, KAMCO Research

IPO participation from all GCC countries; new industries make debut

IPO participation in the region came in from all GCC countries, however 2018 performance post listing remained mixed. Qatar's QAMCO gained 33.5% from its offer price at the end of 2018, but was down by 25.8% from the listing price that the company's shares opened at, on the Qatar exchange. Oman came in second in terms of IPO volumes, as it witnessed two parallel market IPOs. Dhofar Generating Company raised USD 52 Mn, Arabian Falcon Insurance Company raised USD 3.7 Mn, and were listed on the Muscat Securities Market. Although the UAE did not witness corporate IPOs on any of their exchanges, Dubai based companies raised capital through IPOs on international exchanges. Shelf Drilling, the Dubai based contractor and the largest shallow water driller globally, raised over USD 225 Mn from Oslo Stock Exchange. Further, Dubai based construction specialist RA International Group garnered USD 25 Mn from its IPO on the London's Alternative Investment Market. During the year however, the DFM witnessed two dual listings, NAEEM Holding from Egypt and Ithmaar Holding from Bahrain. Kuwait made its way back to the primary equity markets with one issuance in 2018, as Integrated Holding Co raised USD 213 Mn through its IPO on Boursa Kuwait. Bahrain Bourse witnessed the IPO of APM Terminals, the exclusive manager and operator of Khalifa Bin Salman Port, and capital proceeds from the IPO amounted to USD 31 Mn.

GCC 2018 IPO market capital proceeds - by industry (USD Mn)



Source: Bloomberg, KAMCO Research

Industry participation continued to be dominated by REIT IPOs, all from Saudi Arabia, as 8 REIT issues raised over USD 1.03 Bn. New business models and industries did make their way into GCC's IPO market in 2018, as Consumer Discretionary/Leisure Industry play-Leejam Sports Co took the IPO route and raised USD 218 Mn. Education player from Saudi Arabia – National Company for Learning and Education provided the GCC with one of its few pure-play educational names, as the company saw proceeds of USD 66 Mn come in via its IPO.

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