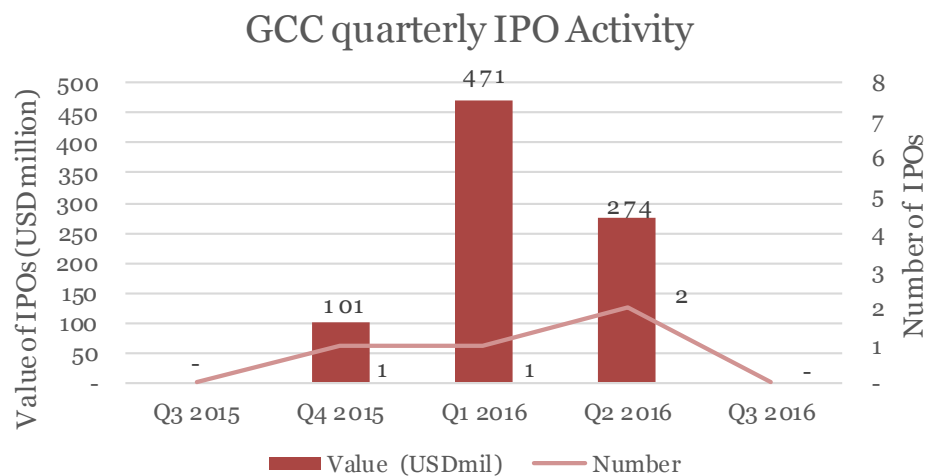


# IPO Market Watch

## Q3 2016

*No IPOs in Q3 2016  
in the GCC*



**IPO market remains subdued in the GCC with no activity in Q3 2016 reflecting global and regional uncertainty.**

The third quarter ("Q3") of 2016 saw no IPO activity across the Gulf Cooperation Council ("GCC") markets thus reflecting the most depressed IPO market conditions since Q3 2015. Although activity in 2016 has generally been quite low, Q3 2016 activity levels perhaps best reflect the impact of uncertainties seen across the region. As oil prices continue to show no signs of increasing significantly, regional governments have been grappling with the economic impacts this has caused and have started to implement measures aimed at addressing these impacts. However, in the short term, liquidity continues to be a problem for our regional economies and this has impacted equity market activity.

# Initial Public Offerings (IPOs)

## Period to period performance

There were no IPO's in Q3 2016, which was comparable to the same period in 2015. In the region, Q3 is host to the summer vacation, the Holy month of Ramadan and Eid which are usually associated with slower IPO activity. In terms of performance compared to the prior period, Q2 2016 had 2 issuers go to market (Al Yamamah Steel Industries Co and L'azurde Company for Jewellery) on the Saudi Stock Exchange, Tadawul raising total proceeds of \$ 274 million.

Saudi Arabia continued to dominate the IPO market in the region with all listings during 2016 being on Tadawul accounting for 100% of the IPO market.

Steve Drake, Head of PwC's Capital Markets and Accounting Advisory Services team in the Middle East said:

*"Cost cutting policies and austerity measures driven by the prolonged low oil prices result in higher volatility and uncertainty in the markets. Whilst many companies have expressed interest in going public, they are still waiting for investor sentiment to improve and liquidity to come back to the market. As a consequence, we would expect to see this trend continue into Q4 2016."*



## Global IPOs

With volatility low and easing measures firmly in place, conditions were healthy for raising equity financing. IPO activity in Q3 2016 increased compared to Q2 2016 and Q3 2015. The amount of money raised via IPOs stood at \$35.8 billion via 230 deals, compared to \$24.4 billion via 178 in Q3 2015 and \$69.6 billion via 248 deals in Q3 2014. This translates into 47% increase in proceeds compared to the previous year.

However large differences exist between regions; whereas the Asia-Pacific IPO markets were very active throughout the third quarter, the Americas and EMEA regions suffered from political uncertainty. Asia-Pacific accounted for 74% (170) of the total number of IPOs and 68% (\$24.2 billion) of the total amount of proceeds in Q3 2016. Activity in the Americas ranks second in terms of the number of IPO (43) and proceeds (\$8.2 billion). Companies in the EMEA region only raised \$4.7 billion via 18 IPOs.

Financials remain the most active sector in terms of IPO proceeds, raising \$36.9 billion year to date. This means that over 40% of global proceeds were raised by companies in this sector. However, in terms of number of transaction Industrials clinch the first place with 146 IPOs, compared to 124 for Financials.

# Bond and Sukuk markets

Bond and Sukuk sales continued to be popular in the GCC market during the third quarter of 2016 since crude prices remain low resulting in revenue shortfalls and the need for debt coverage. Should oil prices not increase significantly, there is likely to be a similar funding need for Q4 2016 as well.

## Bond Issuances

The sovereign bonds market continued to be active following a similar trend of large sovereign bond issuances last quarter. The Kingdom of Bahrain issued BHD 300 million development bonds (approximately \$790 million) with a 3 year maturity. More bonds are expected early next quarter from the Sultanate of Oman.

In the corporate bond market, Burgan Senior SPC Ltd issued its \$500 million 5 year bond carrying interest of 3.125%. Furthermore MAF Global Securities Limited issued \$300 million Notes due 2024 carrying interest of 4.75%. Both issuances were guaranteed by Burgan Bank K.P.S.C, incorporated in State of Kuwait, and Al Futtaim Group, incorporated in the Emirate of Dubai, respectively.

## Sukuk Issuances

Emaar Sukuk Limited successfully issued a \$750 million 10 year Sukuk, guaranteed by Emaar Properties P.J.S.C. Furthermore, Qatar Islamic Bank issued a QAR 2 billion 3 year Sukuk (approximately \$550 million) in order to enhance its capital adequacy ratios and support business growth. In the Kingdom of Saudi Arabia, Bank Albilad issued SAR2 billion 10 year Sukuk (approximately \$533 million) with the bank having the right to call the Sukuk at the end of the fifth year.

On the sovereign front, the Central Bank of Bahrain was an active contributor in the region issuing Sukuk Al- Salam worth in total BHD 177.85 million (approximately \$469 million) and Sukuk Al- Ijara worth in total BHD 104 million (approximately \$274 million). Sukuk Al- Salam carry a maturity of 91 days compared to 182 days of Sukuk Al – Ijara.

Steve Drake, Head of PwC's Capital Markets and Accounting Advisory Services team in the Middle East region said:

*"Bond and Sukuk markets continued to be active in the third quarter of 2016 however the value of transactions was lower compared to some notable issuances in the second quarter from regional governments. Markets are expected to continue to be active in the last quarter of the year, however increased demand for funding due to depressed oil prices might impact pricing."*



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## About Capital Markets Watch GCC

Capital Markets Watch GCC surveys conventional bond and Islamic issuance and new primary market equity IPOs on the GCC's principal stock markets and market segments (including exchanges in Kingdom of Saudi Arabia, Kingdom of Bahrain, Kuwait, Sultanate of Oman, Qatar and the United Arab Emirates) on a quarterly basis. This survey was conducted between 1 June 2016 and 30 September 2016 and captures the relevant data based on their transaction date. Capital Markets Watch GCC is prepared by PwC Middle East ([www.pwc.com/me](http://www.pwc.com/me)). All market data is sourced from publically available information and has not been independently verified by PwC.