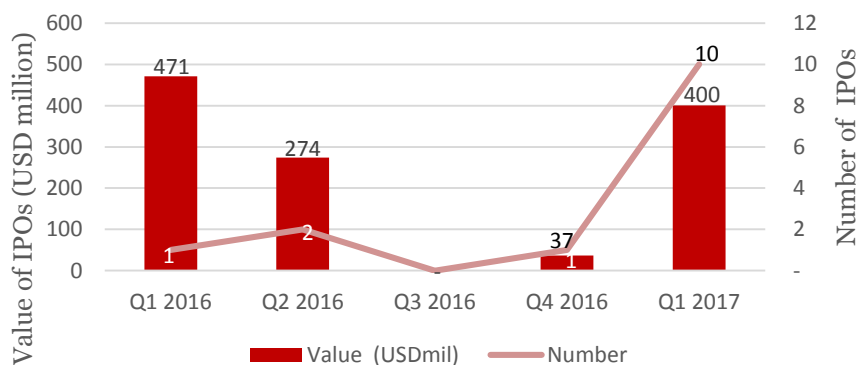




## Ten IPO in Q1 2017 in the GCC

### GCC quarterly IPO Activity



### A surge in number of floats in the GCC following the launch of the Parallel Market in Saudi Arabia creating a new platform for IPO's

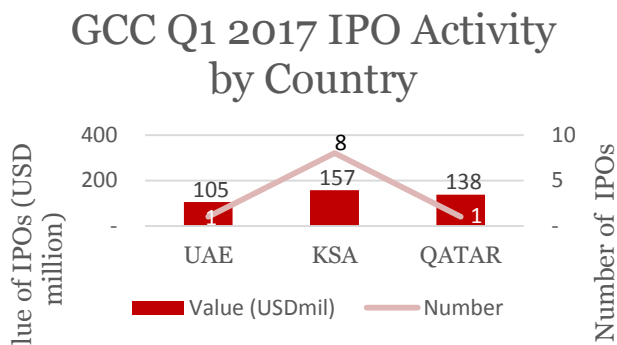
A positive start to the year as the first quarter ("Q1") of 2017 saw a record high in number of IPOs (10) issued during one quarter in the Gulf Cooperation Council ("GCC") within the past 5 years. The Saudi Stock Exchange ("Tadawul") launched the first parallel market ("NOMU") in the GCC. NOMU is an alternative equity market to the Tadawul, aimed at smaller cap companies although provides the possibility for companies to transition to the main market after a period of time. The launch of NOMU was marked by the successful listing of 7 IPOs.

Meanwhile on the primary exchange front, the first and largest regional offering in Q1 2017 was by the Investment Holding Group ("IHG"), which operates various contracting businesses. The company listed on the Qatar Stock Exchange ("QSE") and offered 49.8 million shares, raising proceeds of US\$138 million. IHG is the first Qatari IPO on QSE since 2014. The second offering was by Al Jazira Mawten REIT fund on Tadawul offering 11.8 million shares and raising US\$31 million. The fund invests in developing real estate to generate rental income. The third and final listing was by ENBD REIT fund on Nasdaq Dubai offering 94.6 million shares and raising proceeds of US\$ 105 million. The fund invests in a diversified Portfolio of Shari'a-compliant real estate assets in the UAE. The IPO is the first to list on a Dubai exchange since March 2015.

# Initial Public Offerings (IPOs)

## Period to period performance

In terms of IPO performance in Q1 2017 compared to the same period in the prior year, the number of offerings has significantly increased, with 10 IPOs in Q1 2017 compared to 1 in Q1 2016; however the total proceeds raised in Q1 2017 was 15% lower as compared to Q1 2016. The low offering values in this quarter mainly relates to the nature and characteristics of the NUMO market, one of which is a lower market capitalisation requirement compared to Tadawul, opening the doors for the listing of small to medium size enterprises. Furthermore, the number and total proceeds raised from IPOs in Q1 2017 sharply increased compared to Q4 2016, which witnessed 1 IPO raising US\$37 million.



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

*"An interesting start to the year, with the launch of Tadawul's alternative equity market resulting in an influx of listings during the first 3 months of the year. As the region continues to adjust to a different oil price environment, we are starting to see signs of market recovery and activity which are positive indicators to what we hope to be an improved year for IPOs in the region. Furthermore, government initiatives across the region, including large scale privatisation activity is expected to boost capital markets activity in the next couple of years."*



The Kingdom of Saudi Arabia ("KSA"), has been the most active market in terms of number of offerings and proceeds raised during the quarter, with a total of 8 IPOs (80%) on Tadawul, out of which 7 were listed on the NOMU Parallel Market with a total of US\$157 million raised.

## Global IPOs

Q1 2017 was the scene for low volatility coupled with new record heights in certain equity markets. While the US Federal Reserve lifted rates for a third time since the Financial Crisis, the European Central Bank ("ECB") left its monetary easing measures unchanged. In the political spectrum, a vote in the Netherlands did not translate into populism's next milestone. Nonetheless, the French presidential election and the official start of Brexit procedures are weighing on European equity markets, while upcoming elections in Germany and potentially Italy could reform the EU. Finally, concerns are mounting that Trump will not be able to come through on the policies he promised which have driven equity markets higher since November 2016.

On the IPO front, activity in the first quarter was considerably higher than in Q1 2016. IPO proceeds increased by 155% compared to the same quarter last year. In total, 321 IPOs raised US\$37 billion compared to US\$14.5 billion via 146 IPOs in Q1 2016 and US\$42.5 billion via 253 IPOs in Q1 2015.

Unlike previous quarters, the Americas region overtook Asia-Pacific in terms of IPO proceeds. The region accounted for 42% (US\$15.8 billion) of the money raised globally via IPOs, but only 13% (41) of the number of IPOs. This was the result of a few jumbo transactions, such as the IPO of Snapchat's parent company, Snap. The Asia-Pacific region ranks behind the Americas in terms of IPO proceeds, accounting for 41% (US\$15.2 billion) of the money raised and a stunning 71% (228) of the number of IPOs. Thus, the average transactions in the Americas were almost six times larger than in Asia-Pacific. Finally, EMEA comes in last in terms of proceeds (17% or US\$6.1 billion) and second in terms of the number of IPOs (16% or 52 deals).

# Bond and Sukuk markets

The GCC Bonds and Sukuk market remained strong in Q1 2017, sovereign issuances continued to be popular amongst governments, which are benefiting from strong credit quality, with most of them holding investment grade ratings.

## Bond Issuances

Q1 2017 was marked by the government of Kuwait bond issuance of US\$8 billion, the third-largest in the GCC, following Saudi Arabia's record US\$17.5 billion and Qatar's US\$9 billion sales last year. The Sultanate of Oman also issued a US\$5 billion bond this quarter. The Government of Kuwait raised US\$8 billion via a US\$3.5 billion 5 year note and US\$4.5 billion 10 year note yielding 2.8% and 3.6%, respectively. The Sultanate of Oman raised US\$5 billion via a US\$1 billion 5 year note at 190 basis points over mid-swaps and US\$2 billion 10 year note at 300 bps over mid-swaps and US\$2 billion 30 years note at 387.5 bps over mid-swaps.

In corporate bonds issuances, National Bank of Abu Dhabi issued its second Formosa bond (USD bond listed in Taiwan), structuring it as a multi-callable zero coupon bond for an amount of US\$885 million with a maturity of 30 years.

## Sukuk Issuances

Nasdaq Dubai continued to prove popular amongst corporate sukuk issuers with notable issuances such as Dubai Islamic Bank issuing US\$1 billion sukuk and Islamic Development Bank US\$1.25 billion sukuk during Q1 2017.

On the sovereign front, the Central Bank of Bahrain was an active contributor in the region issuing three Sukuk Al Salam each worth US\$114 million (BD43 million) and three short term leasing type Sukuk each worth US\$69 million (BD26 million).

Steven 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 first quarter of 2017, while most of the GCC countries managed to maintain a relatively competitive borrowing cost, benefiting largely from carrying investment grade credit ratings. The longer term impact of the interest rate hike by the U.S Federal Reserve remains to be seen."*



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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 January 2017 and 31 March 2017 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.