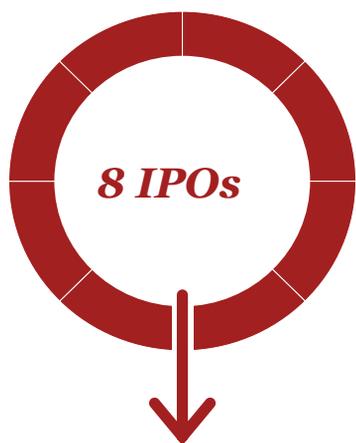
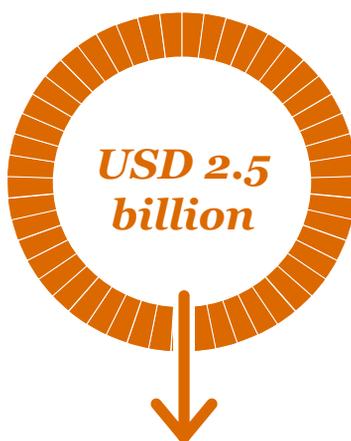


# *GCC Capital Markets Watch Q4 2017*



...in Q4 2017 across GCC  
(Q4 2016: 1 IPO).



...raised from IPOs in Q4,  
2017 across GCC  
(Q4 2016: USD 37  
million).



...worth of bonds issued in  
Q4 2017 by the Kingdom of  
Saudi Arabia through  
international bond  
issuance.

# Initial Public Offerings (IPOs)

## Overview

IPO momentum seen during 2017 continued into the last quarter, with GCC's stock exchanges witnessing a healthy combination of both large and small scale IPOs. The recovery in oil prices also contributed in injecting more liquidity across GCC equity markets, while positive listing indicators and favorable equity valuations provided certain market participants, with good exit opportunities.

## Period to period performance

A total of eight IPOs in Q4 2017 in the Gulf Cooperation Council ("GCC"), representing a notable increase compared to the previous quarter (Q3 2017: 5). Furthermore, total proceeds raised in Q4 2017, from IPOs amounted to USD 2.5 billion, representing an increase of USD 2.3 billion compared to Q3 2017 (USD 234 million).

Dubai Financial Market ("DFM") and Abu Dhabi Securities Exchange ("ADX") led the GCC IPO activity this quarter in terms of proceeds, with two major offerings, raising USD 2.2 billion (88% of total GCC proceeds).

Tadawul was the largest in terms of IPO volume, witnessing IPOs of three Real Estate Investment Trusts ("REITs") (38% of total IPO volume in Q4), raising USD 209 million. Whereas, the Muscat Securities Market ("MSM") saw three IPOs, which raised total proceeds of US 82 million.

Looking at IPO performance in Q4 2017 compared to the same quarter in the previous year (Q4 2016), the number of IPOs and proceeds raised is considerably higher with USD 2.5 billion from a total of eight floats in Q4 2017, compared to only USD 37 million raised from one IPO in Q4 2016.

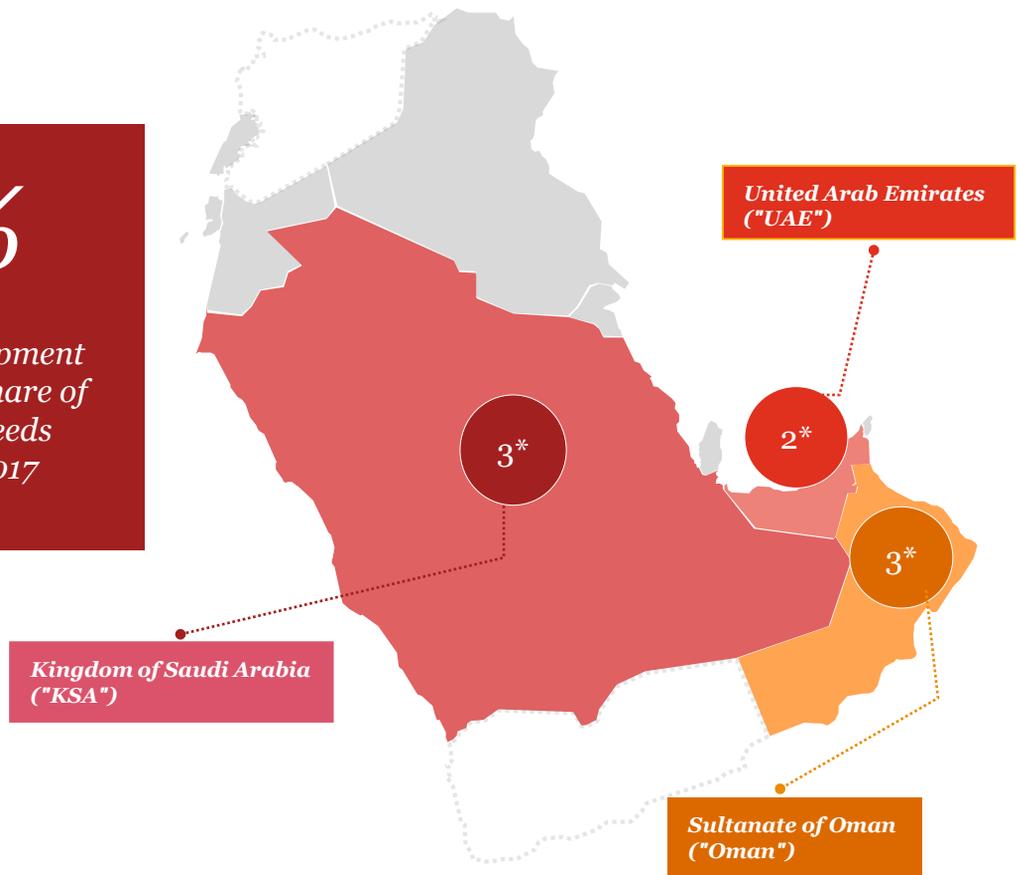
## GCC quarterly IPO Activity



# Initial Public Offerings

88%

Emaar Development and ADNOC share of total IPO proceeds raised in Q4 2017 across GCC.



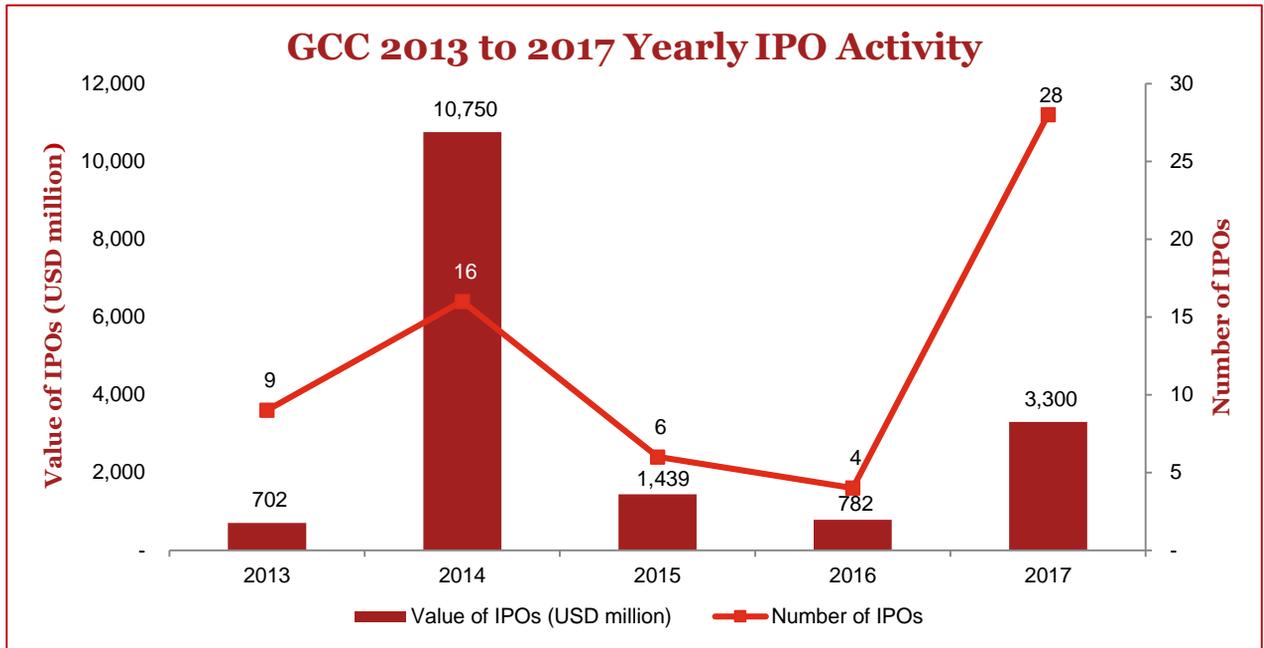
\*Number of IPOs

## Top four IPO rankings in GCC Q4 2017 (by offering value)

<b>1</b>	<p>Company: Emaar Development PJSC Sector: Real Estate Offer value (USD): 1.3 billion Stock Exchange: DFM No. shares offered: 800 million</p>	<b>3</b>	<p>Company: Al Ahli REIT Sector: Real Estate Offer value (USD): 100 million Exchange: Tadawul No. shares offered: 41.25 million</p>
<b>2</b>	<p>Company: Abu Dhabi National Oil Co Sector: Energy Offer value (USD): 850 million Exchange: ADX No. shares offered: 1.25 billion</p>	<b>4</b>	<p>Company: National Life &amp; General Insurance Company SAOG Sector: Insurance Offer value (USD): 55.1 million Exchange: MSM No. shares offered: 66.25 million</p>

# Initial Public Offerings (IPOs)

## Year on year performance



The total number of GCC IPOs increased significantly with 28 offerings in 2017, compared to four in 2016. This was driven by increased listing activity on Tadawul’s NOMU parallel market, which welcomed nine IPOs (32% of 2017 GCC volume), together with the introduction of REIT listings which also saw nine IPOs across the GCC.

Furthermore, proceeds raised during 2017 were higher by USD 2.5 billion (322%) compared to 2016, mainly due to the USD 1.3 billion IPO proceeds raised by Emaar Development PJSC and USD 850 million IPO proceeds raised by ADNOC (together 66% of total GCC proceeds during 2017).

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

*“GCC IPO activity ended, 2017 on a high, supported by GCC government policies and improvements in market conditions. Furthermore, we are seeing renewed appetite for cross-border IPOs and an increase in confidence from institutional investors in GCC equity markets.*

*The outlook for 2018 looks positive, with a strong diversified IPO pipeline subject of course to volatility arising from geopolitical factors. The spotlight will remain on Aramco’s IPO, in 2018 which if it comes to market will be the largest global IPO ever”.*



# Initial Public Offerings

## Global IPOs

Global IPO activity in Q4 recorded total proceeds of USD 63.5 billion via 370 IPOs. The quarter was 17% higher in terms of proceeds and 9% lower in terms of the number of IPOs, compared to Q4 2016. Further, IPO activity was robust in 2017 with total proceeds of USD 204.7 billion via 1,483 IPOs, outperforming the previous year in terms of number of IPOs and total proceeds by 47% and 44%, respectively.

<b>Global IPO activity</b>	<b>2017</b>	<b>2016</b>	<b>Q4 2017</b>	<b>Q4 2016</b>
<i>Number of IPOs</i>	1,483	1,010	370	405
<i>Proceeds raised (billion)</i>	USD 204.7	USD 142.4	USD 63.5	USD 38.3
<i>Free float</i>	42.2%	31%	67.9%	30.2%

Source: "PWC ECM Briefing Q4 2017"

The number of IPOs hit a post-financial crisis high, with global IPO activity benefitting from favourable conditions throughout the year, while volatility remained low, as jitters surrounding the French election and the Korean peninsula have failed to unnerve investors. Despite the expectation that monetary conditions will tighten in the US and Europe, the global IPO pipeline for 2018 looks promising.

<b>TOP 3 Largest IPOs in 2017</b>	<b>Exchange</b>	<b>Pricing date</b>	<b>Money raised (billion)</b>	<b>Free Float</b>
<i>Snap</i>	NYSE	1-Mar-17	USD 3.9	19.9%
<i>Pirelli &amp; C</i>	Borsa Italiana	29-Sep-17	USD 2.7	5.0%
<i>Landis &amp; Gyr</i>	SIX Swiss Exchange	21-Jul-17	USD 2.4	100.0%

Source: "PWC ECM Briefing Q4 2017"

The largest IPO for the year was Snap, a US based technology company which raised USD 3.9 billion on NYSE.

## ***GCC bond and sukuk issuances***

### ***Period performance:***

Q4 2017 was a strong quarter for debt issuers in the GCC, with the KSA and Abu Dhabi governments amongst key sovereigns, issuing international bonds worth USD 12.5 billion and USD 10 billion respectively.

# ***USD 12.5 billion***

*Largest sovereign international bond issuance by a GCC government in 2017*



The KSA international bond included three tranches: a USD 4.5 billion 30 year tranche, a USD 5 billion 10 year tranche and a USD 3 billion five year tranche.

# ***USD 10 billion***

*Total international bond value issued by the Government of Abu Dhabi in Q4, 2017*



The Abu Dhabi bond included three tranches: a USD 3 billion 30 year tranche, a USD 4 billion 10 year tranche, and a USD 3 billion five year tranche.

# ***USD 400 million***

*Total value of Emirates REIT Sukuk issuance in Q4 2017*



Emirates REIT issued USD 400 million five year sukuk on the Irish Stock Exchange's, Main Securities Market ("MSM") and was (2.5x) oversubscribed.

### ***Yearly performance***

GCC fixed income transactions have surged in 2017, with sovereign issuers accounting for the lion's share; followed by corporate debtors, amid strong interest from regional and international investors, cemented by a stable credit outlook.

On the sovereign front, the government of KSA raised a total of USD 21.5 billion, between sukuk issuance of USD 9 billion in Q2 2017, and bond issuance of USD 12.5 billion in Q4 2017. The government of Abu Dhabi was another leading issuer with USD 10 billion worth of bonds issued in Q4 2017.

On the corporate front, Dubai Aerospace Enterprise (DAE) Ltd ("DAE") issued one of the largest bonds during the year, raising USD 2.3 billion; while the Islamic Development Bank ("IDB") issued one of the largest sukuk during the year, raising USD 1.25 billion.

## ***GCC bond and Sukuk issuances***

### ***USD 2.3 billion***

*One of the largest corporate bond issuances by a GCC based entity in 2017*

The USD 2.3 billion bond issued by Dubai Aerospace Enterprise (DAE) Ltd. in Q3 was split into three tranches: USD 500 million yielding 4.0% and maturing in 2020, USD 800 million yielding 4.5% and maturing in 2022, and USD 1.0 billion yielding 5% and maturing in 2024.

### ***USD 9 billion***

*Largest sovereign international sukuk issuance by a GCC government in 2017*

The KSA sukuk was structured into a USD 4.5 billion five-year sukuk tranche at 100 basis points over the mid-swap rate and an equal-sized 10-year tranche at a spread of 140 basis points to the benchmark.

### ***USD 1.25 billion***

*One of the largest sukuk issuances by a GCC based entity in 2017*



IDB issued USD 1.25 billion 5 year Sukuk, which was listed on Nasdaq Dubai and carries annual return 2.26%.

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

*“GCC sovereign and corporate debt issuers continued to remain very active during the year, as they have capitalized on strong debt markets globally at competitive rates, ahead of expected interest rate hikes. Moving forward, the US Federal Reserve’s hawkish monetary policy along with ECB plans to scale back quantitative easing may cause a ripple effect on borrowing costs for GCC debt issuances.”*



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## **About PwC's GCC Capital Markets Watch**

GCC Capital Markets Watch surveys IPOs on GCC's principal stock exchanges and market segments in addition to conventional bonds and Sukuk issuance on a quarterly basis. This survey was conducted between 1 October 2017 and 31 December 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.