



GCC Capital Markets Watch Q4 2019

2019 Initial Public Offerings overview

Saudi Aramco's record breaking IPO topped both the GCC and global rankings with the highest proceeds for the year

Top 3 global IPOs in 2019 by proceeds



Top 3 GCC IPOs in 2019 by proceeds



Top 3 GCC sectors for 2019 IPOs



USD 26bn

raised from IPOs in Q4 2019 across the GCC, compared to USD 1bn in Q4 2018

4 IPOs

in Q4 2019, down from five IPOs in Q4 2018

USD 2.9bn

sukuk issued by IDB Trust Services Limited in Q4 2019

USD 1.2bn

sovereign sukuk issued by the Kingdom of Saudi Arabia in Q4 2019

Q4 was a remarkable quarter in terms of equity capital markets. USD 26bn was raised, primarily relating to the IPO of Saudi Aramco on Tadawul - the world's highest value listing to date.

Two UAE based companies were listed on the London Stock Exchange in 2019. Network International, the largest payment service provider in the region, raised proceeds in excess of USD 1bn, making it the largest IPO on the London Stock Exchange since June 2017. Finablr, the owner of payment and foreign exchange solution providers Travelex and UAE Exchange, raised USD 398m.

The Sultanate of Oman is likely to contribute more to the GCC equity capital market in 2020. State-owned Oman Oil Company is reported to be in the process of seeking an IPO.

Trade agencies, the majority of which are family-owned businesses are likely to have a new avenue to IPO with the recent agency law proposed by the UAE government. The law will facilitate their conversion to public joint stock companies. These agencies form an integral part of the UAE economy. The proposed legislation is likely to have a positive impact on the region's IPO activity.

It was an eventful year in the GCC debt market with Dubai becoming one of the largest global centres for sukuk listings by value. The Kingdom of Saudi Arabia was also active – the Ministry of Finance issued USD1.2bn worth of sukuk in Q4 alone.

Macro-economic and geopolitical uncertainties remain and are expected to continue in the near term. Inevitably these will have an impact on GCC market activity. Nevertheless, companies which are well prepared and have a strong investment case will continue to be able to benefit from the capital markets.



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Partner

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Initial Public Offerings (IPOs)

GCC equity capital markets attracted significant global attention in Q4 2019 with the record-breaking IPO of Saudi Aramco on Tadawul

Overview

In contrast to the subdued IPO markets in the first three quarters of the year when only four IPOs took place, GCC countries witnessed as many IPOs in Q4 alone, generating total proceeds of USD 26.02bn, which represents 96% of the annual GCC IPO proceeds for 2019. The high proceeds were driven by the IPO of the world's most valuable listed company, Saudi Aramco.

The energy industry led the equity market in Q4 2019 with the USD 25.6bn listing of Saudi Aramco on Tadawul and USD 23m listing of Musandam Power Company SAOG on Muscat Securities Market.

A year after the last IPO on Qatar Stock Exchange, Baladna was listed on it in Q4 2019, raising USD 395.51m.

Tadawul continued to be the front runner amongst the GCC stock markets in 2019 in terms of both number of listings and proceeds raised.

Whilst 2019 experienced record-breaking IPO proceeds, the number of listings significantly reduced to 8 IPOs, compared to 17 in 2018.

During the year, a number of steps were taken in the Kingdom of Saudi Arabia which will likely help in maintaining Tadawul as the preferred listing location in the region, including:

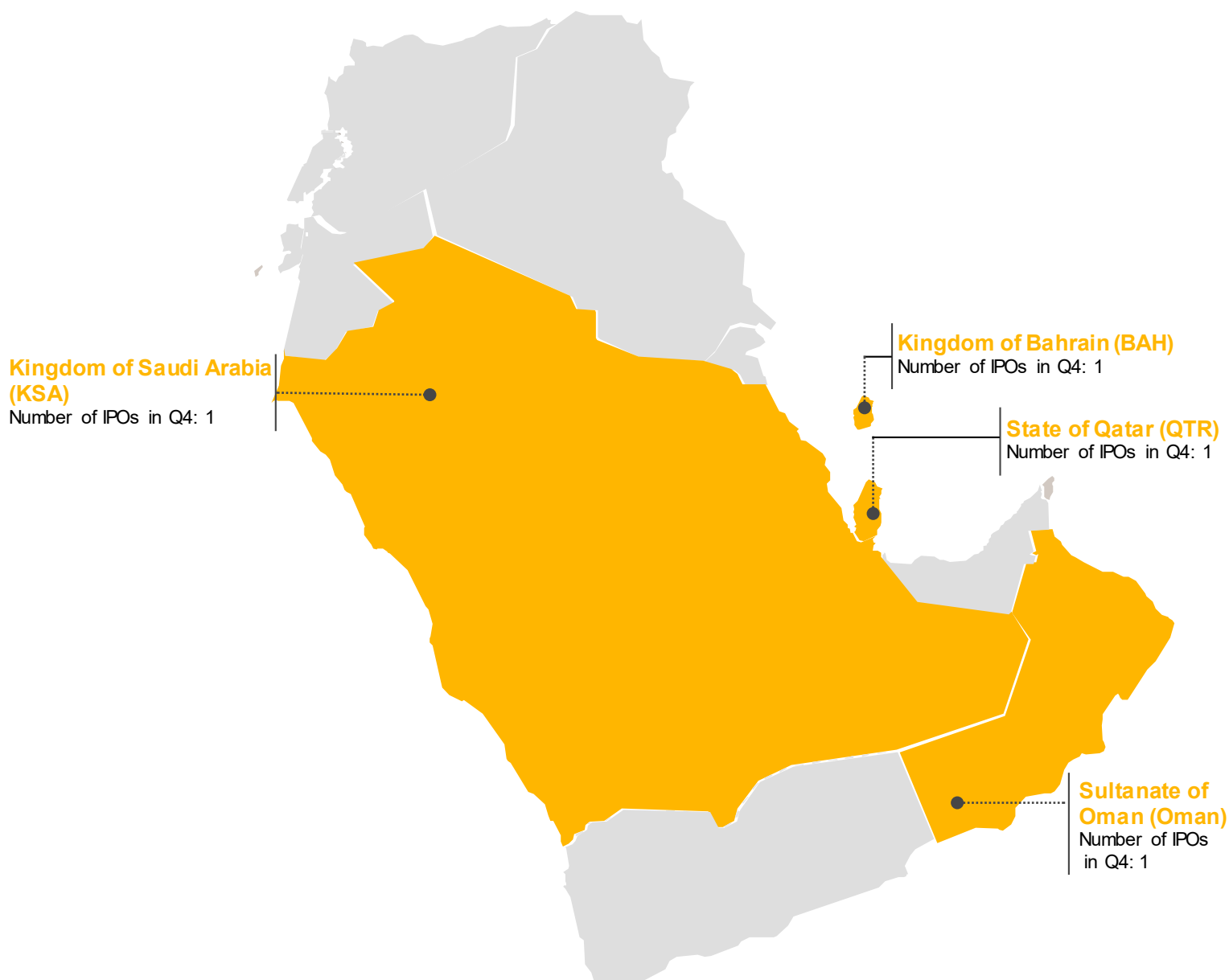
- Tadawul's inclusion in the FTSE Russell Emerging Markets (EM) Index and MSCI Emerging Market index; and
- Issuance of regulations by Saudi Arabia's Capital Market Authority ("**CMA**") for cross-listing, allowing companies from other Gulf countries to list on Tadawul.



IPOs by country

3 IPOs from 3 different GCC countries accompanied the iconic Saudi Aramco IPO on Tadawul in Q4 2019

Figure 1: GCC IPOs during Q4 2019



Saudi Arabian Oil Company (Saudi Aramco)
Sector: **Energy**
Money raised: **USD25.6 billion**
Exchange: **Tadawul**
No. of shares offered: **3 billion**

Baladna
Sector: **Food and Beverages**
Money raised: **USD395.5 million**
Exchange: **Qatar Stock Exchange**
No. of shares offered: **1.4 billion**

Musandam Power Company
Sector: **Energy**
Money raised: **USD23.4 million**
Exchange: **Muscat Securities Market**
No. of shares offered: **28.2 million**

Case study: Network International Holdings plc

Largest Middle East & Africa IPO on any exchange globally, since 2014

Company Profile

- A leading international payments company, serving customers in over 50 countries across the world's most underpenetrated payments markets.
- Provides a full suite of client-led payments solutions to merchants and financial institutions of all types and sizes. In 2018, the Group processed approximately USD 40bn in total volume for more than 65,000 merchants and processed 681 million issuer transactions on more than 13 million cards for over 220 financial institutions.
- Sits at the heart of the payments ecosystems in the Middle East & Africa region and is the only pan regional provider of digital payments solutions with a presence across the entire payments value chain.
- Has a proven, diversified business model generating strong financial returns, with a revenue compound annual growth rate of 13% over the past three years across its two main business lines – Merchant and Issuer Solutions.

Deal features

- Largest Middle East & Africa technology IPO listed on any exchange globally to date.
- Largest Middle East & Africa IPO across all sectors listed on London Stock Exchange to date.
- Largest technology IPO listed on London Stock Exchange since Worldpay raised USD 2.8bn in 2015.
- Largest Middle East & Africa IPO listed on any exchange globally since Saudi National Commercial Bank raised USD 5bn in 2014.

Deal Summary	
Major holders (pre-IPO)	Emirates NBD PJSC; General Atlantic; Warburg Pincus
Listing venue	London Stock Exchange
Pricing date	10 April 2019
Primary/ Secondary	100% secondary (i.e. sell down by existing shareholders)
Joint Global Co-ordinators	Citi (sponsor), Morgan Stanley, JP Morgan, ENBD Capital
Joint Bookrunners	Citi, Morgan Stanley, JP Morgan, ENBD Capital, Barclays, Goldman Sachs
Deal size Market cap at IPO	USD 1,593m USD 2,844m
Index inclusion	FTSE 250
Free Float at IPO	55.99%
IPO price Price range	£4.35 £3.95 - £4.65
PwC role	Reporting accountant, tax and structuring, remuneration and a variety of other IPO preparation services



GCC IPO trends

Saudi Aramco accounts for 98% of the total IPO proceeds raised during Q4 2019

Figure 2: GCC IPO activity since 2013

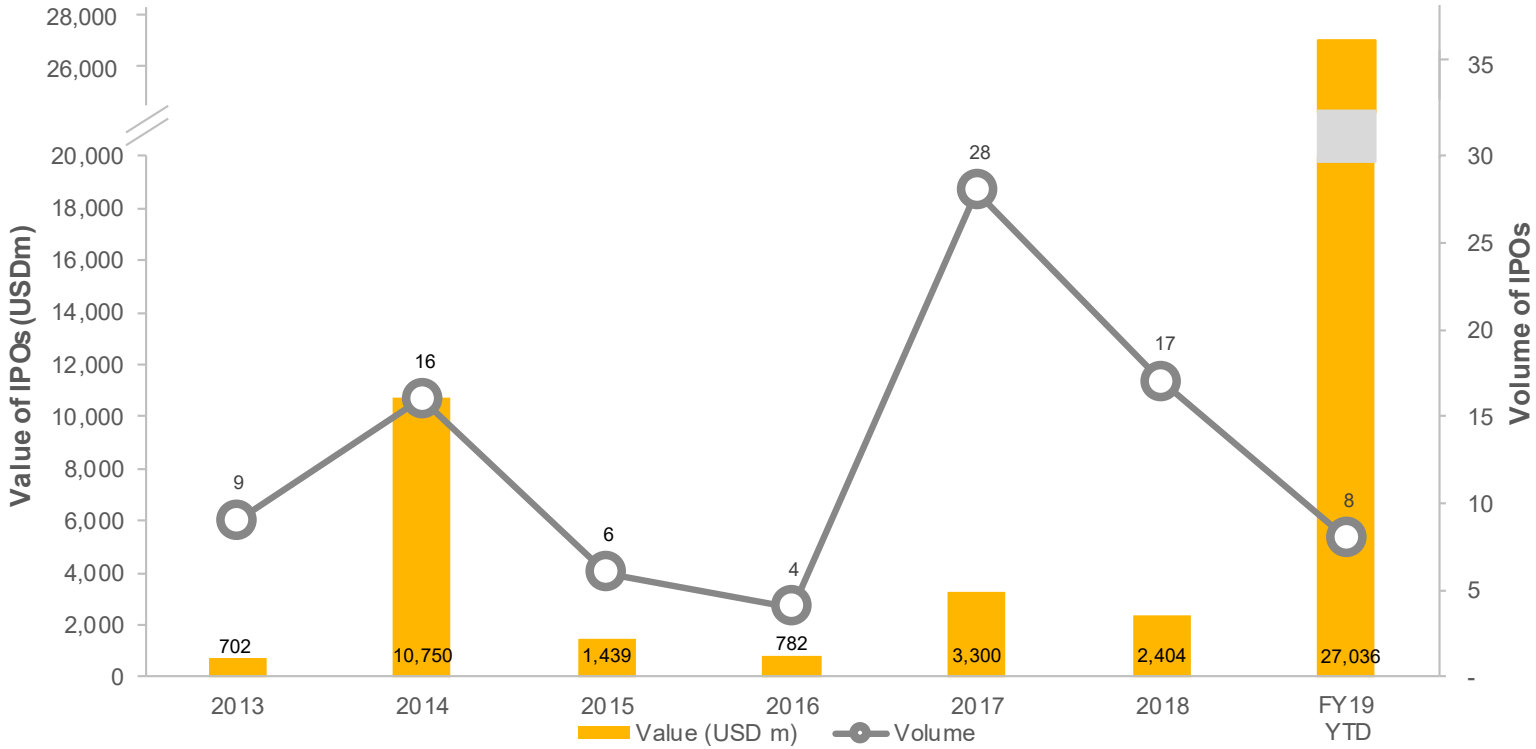
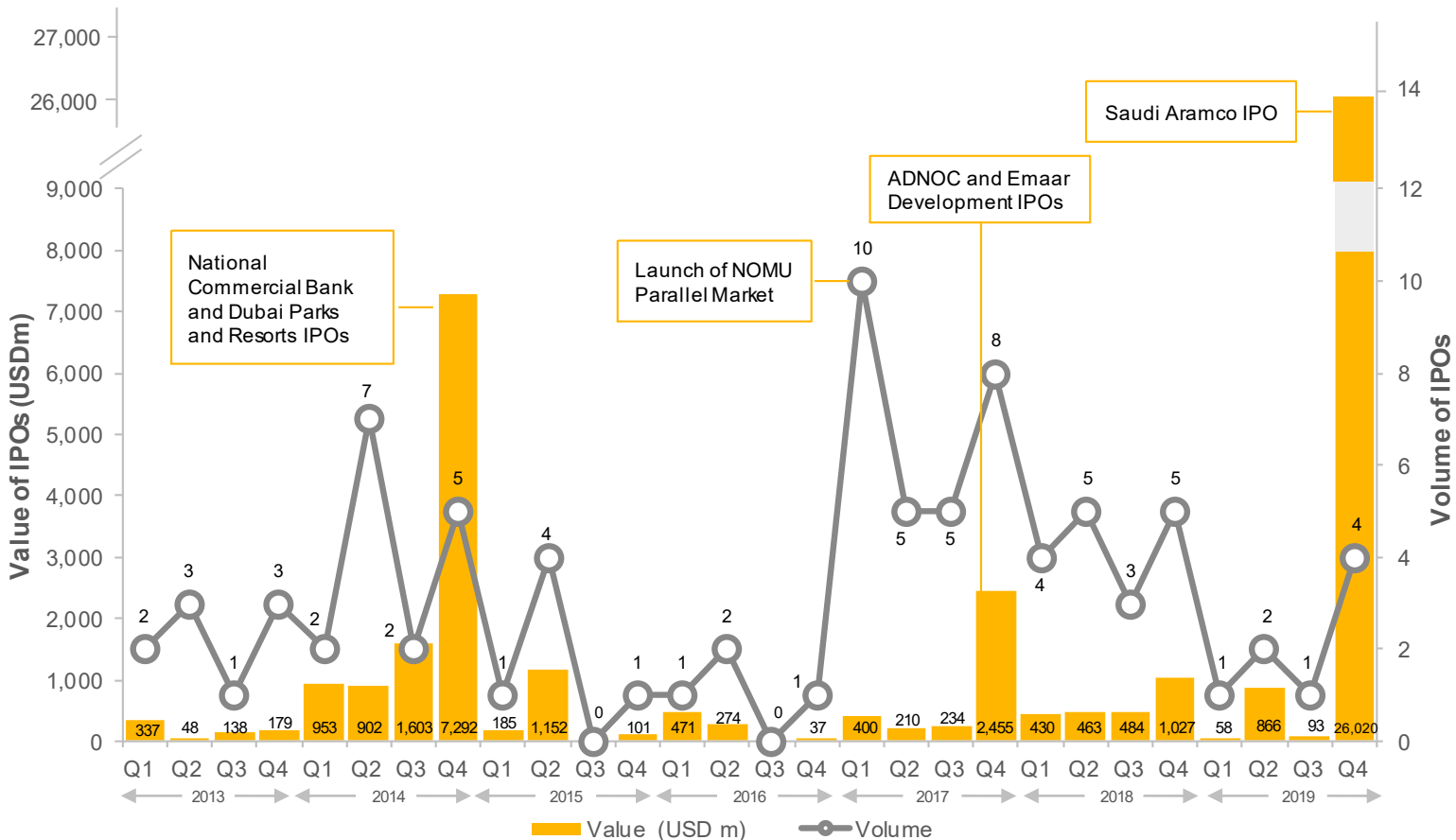


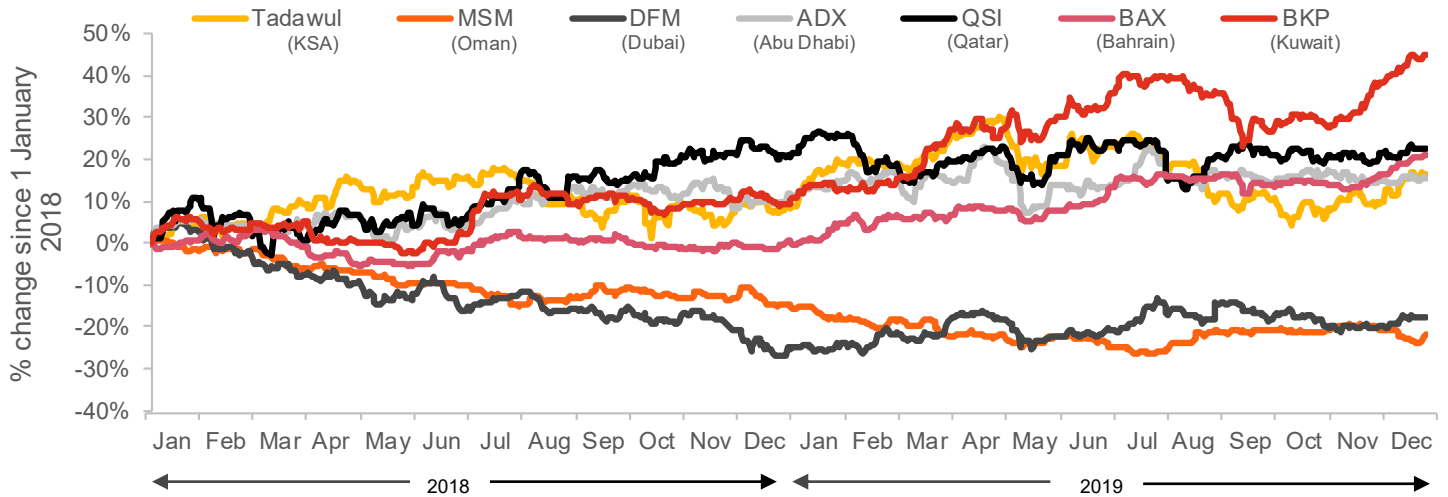
Figure 3: GCC quarterly IPO activity since 2013



Market performance

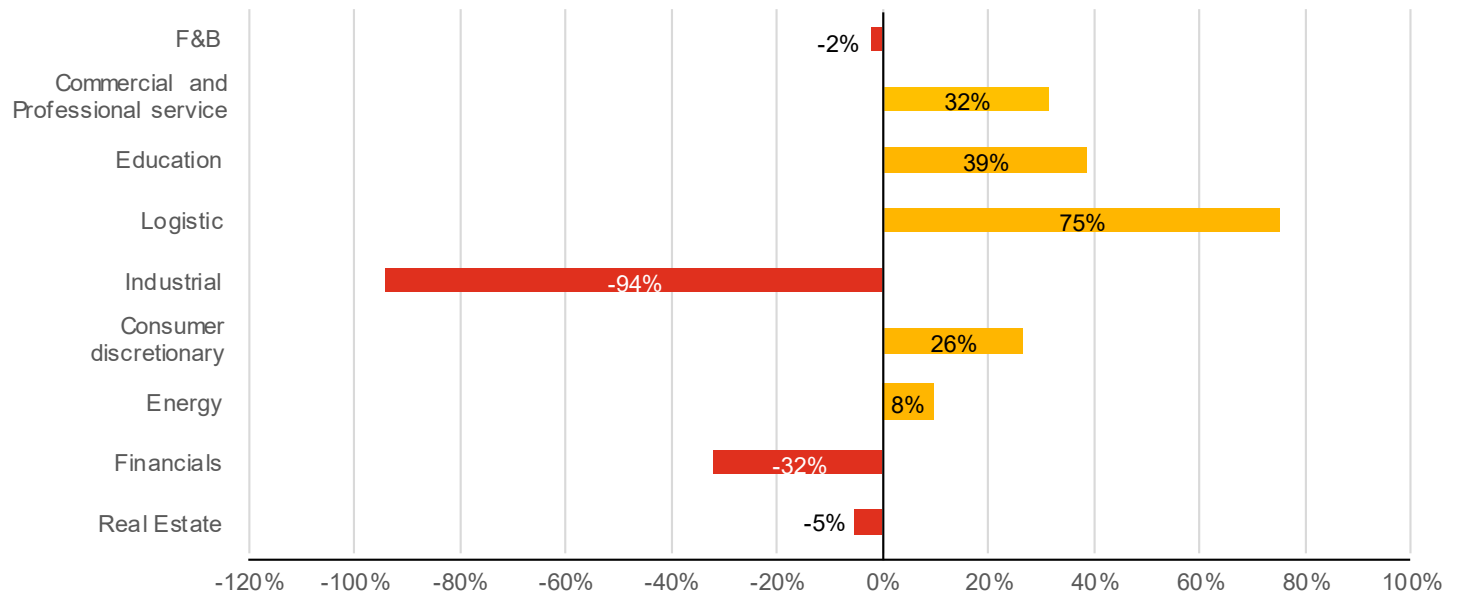
The cumulative total return remained stable in Q4 for most equity markets except Boursa Kuwait, which reflected an upward trend

Figure 4: GCC equity markets performance by cumulative total return since 1 January 2018



Source: Eikon (Thomson Reuter), PwC analysis

Figure 5: Share price performance of 2018 and 2019 GCC IPOs* by sector, relative to the respective all share index, from the IPO date to 31 December 2019



*The IPOs of Integrated Holding Co KCSC, National Building and Marketing, Al Nefae Umm Alqura REIT, Al Moammar Information System Company and Sprinkle Holding BSC have been excluded due to insufficient data.

Global IPOs

Notwithstanding the significant proceeds from the IPO of Saudi Aramco in EMEA and multiple listings on Shanghai's Star Market in Asia-Pacific, 2019 IPO volumes and proceeds were both lower than the previous two years

The global equity market was quieter in 2019. Impacted by the geopolitical and economic uncertainty, investors are focusing more on IPO pricing and in particular for growth companies, a clear pathway to profitability. This could be readily observed in the US, with Uber, Lyft and Pinterest all completing their IPOs, but with pricing challenges, and with the high-profile collapse of the New York IPO.

Cross-border activity remains an important factor for IPO levels with observable trends continuing for technology companies to look to the New York markets and companies from Africa, the Middle East and the CEE looking to London.

2019 was nonetheless a strong quarter, fairsing better than the equivalent quarter in 2018 in terms of both proceeds and volume.

Globally, 338 IPOs raised USD 71bn in Q4 2019 compared to 303 IPOs with proceeds of USD 57.6bn in Q4 2018.

The Americas continued to lead the equity market during the year, accounting for 37% (USD 74.1bn) of proceeds and 24% (251) of the number of IPOs, supported by high value IPOs in the year – Uber, Avantor and Lyft being the prominent ones.

Asia-Pacific came second, contributing 36% (USD 71.7bn) of the global proceeds and 63% (660) of the number of IPOs. Hong Kong continued to be the most popular listing location with 35% of the region's IPOs, closely followed by China (34%).

Coming third was EMEA which accounted for 27% (USD 53.3bn) of IPO proceeds, and 12% (129) of the number of transactions.

Figure 6: Global IPO activity

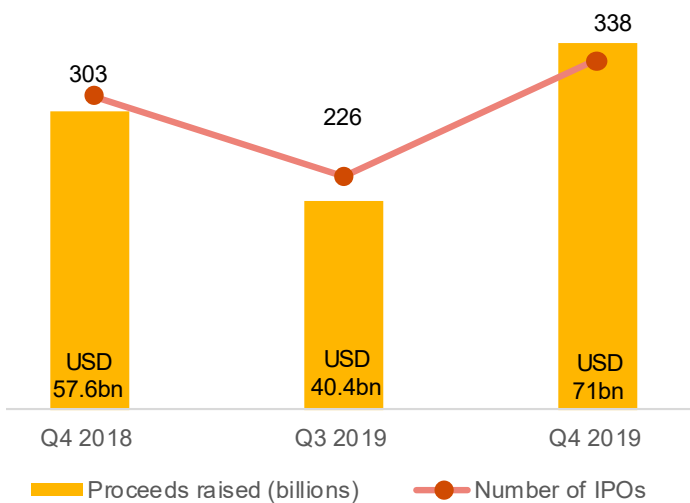
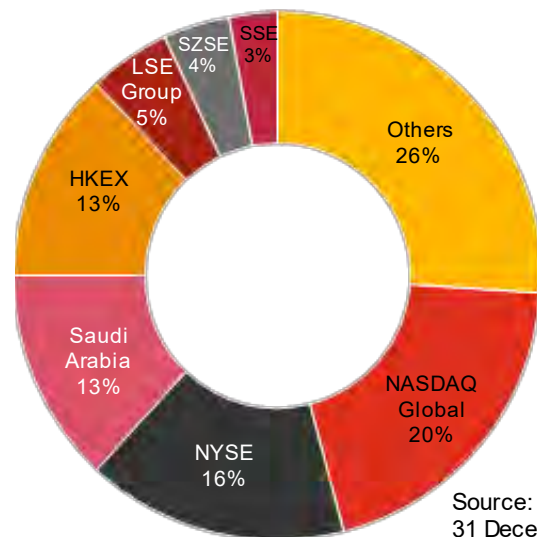
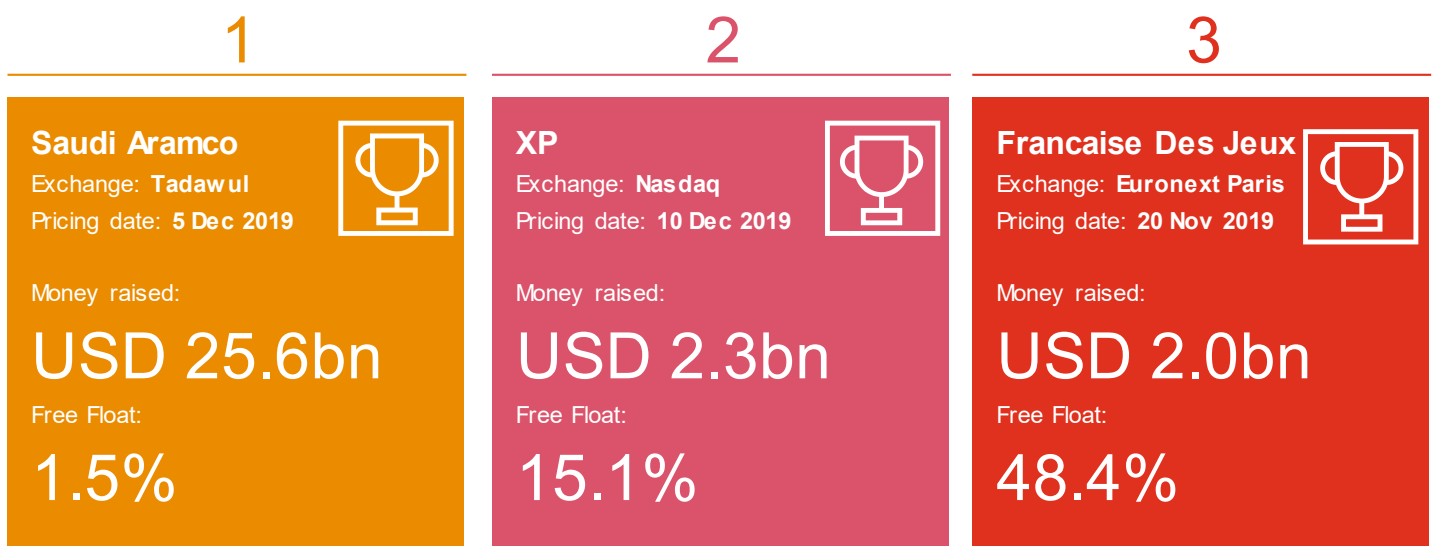


Figure 7: Top exchanges by % of total IPO proceeds raised



Source: Dealogic as at 31 December 2019

Figure 8: Top 3 global IPOs in Q4 2019 by proceeds



GCC bond and sukuk issuances

GCC market continues to host high value sovereign sukuk and bonds issuance

Q4 2019 experienced multiple high value transactions with sovereign and corporate sukuk dominating the market.

Islamic Development Bank, through IDB Trust Services Limited, issued its first green sukuk worth EUR 1bn on Nasdaq Dubai in Q4. Including the green sukuk and two issues of USD 1.5bn each in 2019 (April and October), IDB Trust Service Limited has 11 sukuk with a total value of USD 13.65bn listed on Nasdaq Dubai.

Emirate of Sharjah also issued a USD 750m sukuk during the quarter on Nasdaq Dubai following a USD 1bn issuance in April.

Industrial and Commercial Bank of China Limited, Dubai (DIFC) Branch issued two bonds of USD 500m each in October 2019 on Nasdaq Dubai. The move helped the bank secure the position of the largest overseas bond issuer listed on the exchange by value with total listed bonds value of USD 4.56bn.

The high value sukuk issued on Nasdaq Dubai in 2019 have strengthened Dubai's role as one of the largest global centres in the world for sukuk listings by value.

The Kingdom of Saudi Arabia offered a total of USD 3.67bn worth of sukuk during Q4 2019 on Tadawul of which USD 1.18bn were issued in Q4 and USD 2.49bn were issued in the previous quarters as a part of the unlimited sukuk program established by the Ministry of Finance in July 2017.

Sultanate of Oman issued a USD 520m and USD 260m sukuk with a coupon rate of 5.5% and 5% and maturity of 7 and 5 years respectively. It also issued a sovereign bond worth USD 520m with a coupon rate of 5.75 years and a maturity of 10 years.

USD1.18bn

Total value of sovereign sukuk issued in Q4 2019 by the Kingdom of Saudi Arabia

The Kingdom of Saudi Arabia issued USD 490m of 10 year sukuk with a coupon rate of 2.69%, and USD 686m of five-year sukuk with a coupon rate of 2.17%.

USD 1bn

Total value of corporate bond issued by Industrial and Commercial Bank of China Limited, Dubai (DIFC) Branch in Q4 2019

Industrial and Commercial Bank of China Limited, Dubai (DIFC) Branch issued a 3 and a 5 year bond of USD 500m each on 17 October 2019, with a coupon rate of 2.662% and 2.772%, respectively.

USD 2.86bn

Total value of sukuk issuances in Q4 2019 by IDB Trust Services Limited on Nasdaq Dubai

IDB Trust Services Limited issued USD 1.5bn worth of sukuk on Nasdaq Dubai on 3 Oct 2019 with a coupon rate of 1.957%, EUR 1bn (USD 1.11bn) worth of green sukuk on 4 December 2019, with a coupon rate of 0.037% and USD 250m worth of sukuk on 11 December 2019, with a coupon rate of 2%. All sukuk will mature in 5 years.



How PwC can help you

At PwC, we understand that good preparation is essential to a successful IPO and debt issuance. We have experience in a wide range of international, regional and domestic IPOs and debt issuances, and can provide expert guidance from initial planning, through to execution and beyond.

IPO and debt preparation

Our IPO and debt **Readiness Assessment** is an early stage diagnostic review of the critical areas needed for a successful issuance. We highlight where current processes, procedures, structures and practices fall short of the requirements for a company whose securities are to be publicly traded and provide recommendations on how to address these gaps.

IPO and debt execution

We work with issuers and their advisors to provide IPO and debt advisory and assurance services. This may include working capital reporting, financial due diligence, financial positions and prospects procedures assessment, assistance with MD&A drafting in relation to a prospectus, comfort letters and project management.

About PwC's GCC Capital Markets Watch

GCC Capital Markets Watch surveys IPOs on GCC's principal stock exchanges and market segments as well as conventional bond and sukuk issuances on a quarterly basis. This survey was conducted between 1 October 2019 and 31 December 2019 and captures the relevant data based on their transaction date. GCC Capital Markets Watch is prepared by PwC Middle East (www.pwc.com/me). All market data is sourced from publicly available information and has not been independently verified by PwC.

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