

GCC IPOs : 2015 - The Year That Was...

The IPO market in the GCC saw muted activity in 2015, after the breakaway year witnessed in 2014, as trends exhibited during the year were similar to post crisis activity observed between 2009-13. Total number of IPOs/listings in the region fell by approximately 65% y-o-y to 6 issuances from 17 deals witnessed in 2014. After almost equaling the pre-crisis highs of capital issuances via IPOs in 2014 (USD 10.89 Bn), total capital raised during 2015 plunged by 86% y-o-y to USD 1.48 Bn.

Corporates looking to enter the market remained cautious during the year, as the significant drop in oil prices that transpired during 2015, coupled with geopolitical concerns and global economic uncertainty weighed heavily on IPO issuances and equity markets. KSA remained the most active IPO market in the GCC in 2015, as it saw 4 out of the region's 6 IPO deals listed on its exchange.

Globally as well, IPO trends receded in 2015, albeit at a slower pace compared to the GCC, as the number of IPO issuances fell by 2% to 1218 deals, while capital raised declined by 25% to USD 195.5 Bn, as per EY. The Asia Pacific region reportedly dominated IPO activity globally in 2015 with 55% of the deals, despite the freeze of Chinese exchanges on IPOs for a period of time during the year.

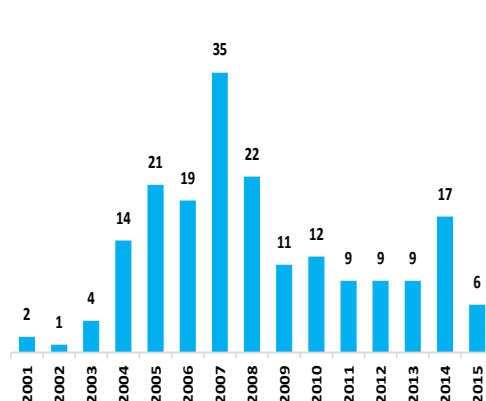
Barring already announced IPOs in the GCC for 2016, the year forward is likely to push issuers with ambitions of listing to put their plans on hold, until market conditions improve and aforementioned concerns considerably alleviate.

Regional IPO activity in the GCC came to a standstill in the back-half of 2015, as no listings were observed during H2-2015, barring the listing of Al-Andalus Real Estate Company in Saudi Arabia during December-15, which closed by the end of the year. The stock is up for listing during the first week of 2016. Post 2014, activity slowed down in Q1-15, but picked up pace in Q2-15, as bulk of the capital issuances (five out of six listings) were recorded during the quarter.

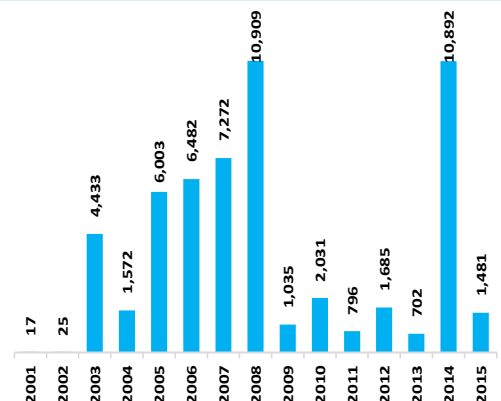
Though H2-15 was affected by the lull of business activity during Eid & summer holidays, **the slowdown in listings was mostly ascribed to the negative sentiment prevalent in the market from falling oil prices, growing geopolitical concerns and broader economic uncertainty.** As a result, the number of deals in 2015 even dipped lower than activity observed during 2011-13 (9 listings average). The high level of capital acquired through the primary market in 2014 was boosted by the listing of National Commercial Bank (NCB) of KSA which amounted to approximately USD 6 Bn. Nevertheless, capital issuances dropped by over 69% y-o-y in 2015, even after excluding NCB's IPO.

In terms of industries which achieved the highest number of IPOs, the Industrial Manufacturing sector achieved two issuances during 2015; and remained the prominent sector behind Financial services in terms of issuances during the past 15 years. On the other hand, after a year dominated by Financial Services (in 2014), the Transportation sector raised the largest amount of capital at approximately USD 752 Mn in 2015, from the IPO of Saudi Ground Services Company.

GCC number of IPOs - 2001 to 2015



GCC IPOs in USD Mn—2001 to 2015



Source: Zawya, KAMCO Research

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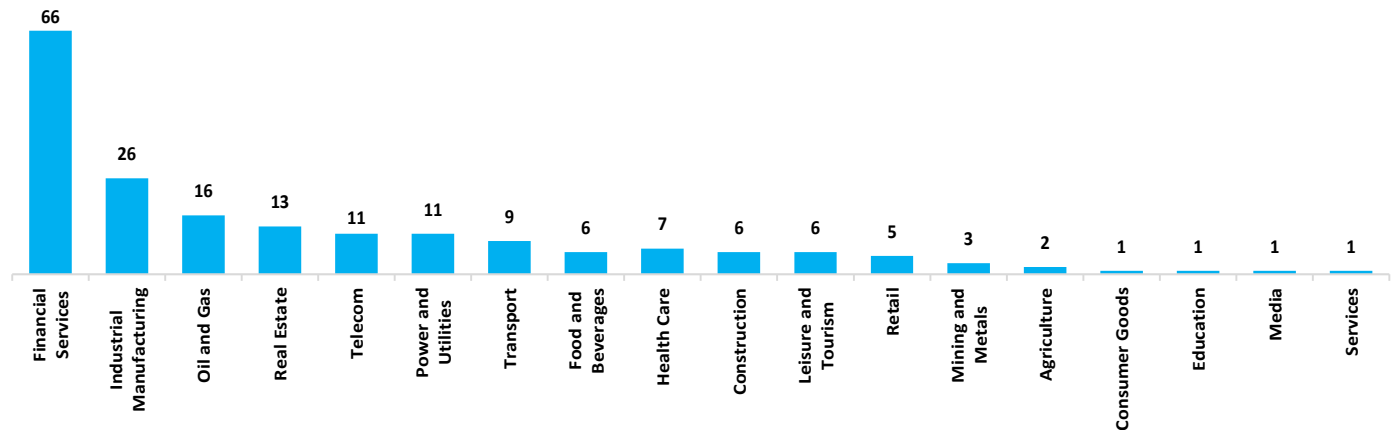
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GCC IPOs

GCC IPOs by Industry - 2001 to 2015



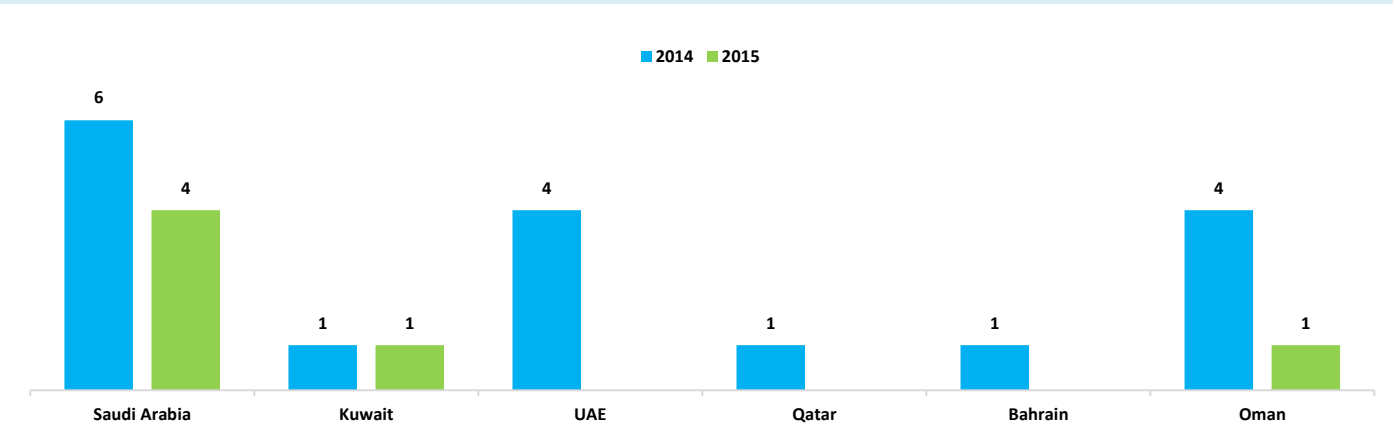
Source: Zawya, KAMCO Research

After witnessing broad based participation from all GCC states in the IPO market in 2014, 2015 saw only KSA, Kuwait and Oman take the primary market route. The IPO market in Kuwait which had dried up significantly since 2008, in the aftermath of the global financial slowdown, saw its first significant listing since then, as Mezzan Holding - the food and beverage major, raised USD 228 Mn through its primary listing on the KSE. In Oman, Power & Utilities player -Phoenix Power Company raised approximately USD 146 Mn through its IPO.

KSA continued to remain the dominant player in the region’s primary capital markets, notching up over USD 1Bn through capital issuances and securing over half of the deals witnessed in the GCC. Furthermore, apart from Saudi Ground Services Company, TASI further listed Saudi Company for Hardware (USD 134 Mn) and Middle East Paper Co. (USD 120 Mn) on the exchange during the year.

The IPO space in the GCC for 2016 is likely to witness a slow start, as corporates would remain cautious about capital raising through primary markets and would look to gauge market appetite for their issuances. More corporates are likely to push their issuances to the back-half of 2016 or the outer years, until risk appetite returns to primary markets and uncertainties revolving around oil price, headwinds in the form of geopolitical risks and global economic growth concerns, mainly China dissipate. Upcoming IPOs in the region for the coming year would include Middle East Health Care Co. from KSA, as the company will offer 30% of its shares (27.6 Mn shares) through in its initial share sale.

GCC IPOs by country - 2015 vs. 2014



Source: Zawya, KAMCO Research

All IPOs listed in the GCC during 2015 remained oversubscribed, with Phoenix Power Company from Oman receiving the maximum response from investors, as the issue was oversubscribed by 15 times. Saudi Company for Hardware from KSA received significant positive response as well, as the issue was oversubscribed by over 6 times, followed by Saudi Ground Services Company from KSA which saw its IPO being oversubscribed by 3.4 times.

Of the five names that were listed on GCC exchanges during 2015, three names closed the year in the green. This resulted in an average performance of c.20% for stocks listed during 2015. Mezzan Holding, which was witnessed its listing in Jun-15 led the way as its share price ended the year by gaining over 56%, as against -10% for the KSE weighted index during the same period. Saudi Company for Hardware (KSA) and Phoenix Power Company (Oman) followed with gains of over 42% and 31% for the year respectively. Middle East Paper Co. (KSA) and Saudi Ground Services Co. (KSA) lost ground post listing, driven by the overall negative performance from the TASI index, as the listings ended the year lower by over 20% and 9% respectively.

Issuer	Industry	Exchange	Listing Date	Oversubscribed	% Change (on IPO/listing price)			Benchmark Index Since Floatation/Listing
					1st Day	1st Month	Since Floatation	
Saudi Ground Services Co.	Transport	KSA	25-Jun-15	3.4X	10.0%	54.5%	-9.5%	-25.8%
Phoenix Power Co.	Power & Utilities	Oman	22-Jun-15	15X	36.4%	40.0%	30.9%	-16.2%
Saudi Co. for Hardware	Industrial Manufacturing	KSA	17-May-15	6.2X	10.0%	94.1%	42.2%	-29.0%
Middle East Paper Co.	Industrial Manufacturing	KSA	3-May-15	.01X	33.0%	54.7%	-20.7%	-29.0%
Mezzan (Listing)	Food & Beverage	Kuwait	10-Jun-15		32.4%	40.5%	56.8%	-10.3%
Al-Andalus Real Estate Co.	Real Estate	KSA	Yet to list	-	-%	-%	-%	-

Source: Zawya, Bloomberg, KAMCO Research

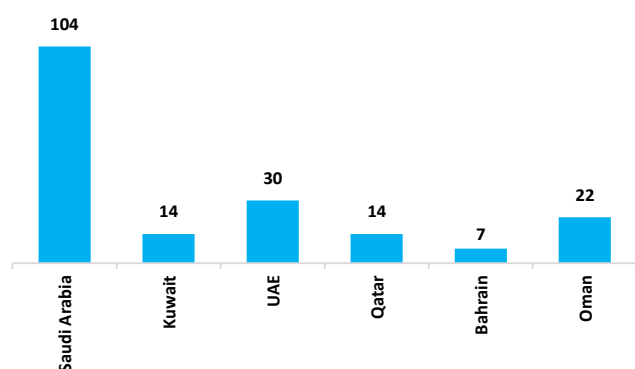
Global IPOs

Global IPOs - Cautious optimism to prevail

Globally, despite falling short of the standout year achieved in 2014, IPOs in 2015 were in line with the 10-year annual global median of 1,241 deals raising USD 176.1Bn, according to the EY based on data collected until early Dec-15. The global IPO market for the year reportedly reflected mixed trends across regions as compared to 2014, largely ascribed to the greater range of financing options available to corporates and the volatile environment prevalent in equity markets. The Asia-Pacific region was the only region to improve on its IPO activity in 2015 as compared to 2014, with 673 deals raising USD 90.2 Bn, up 20% and 8% y-o-y.

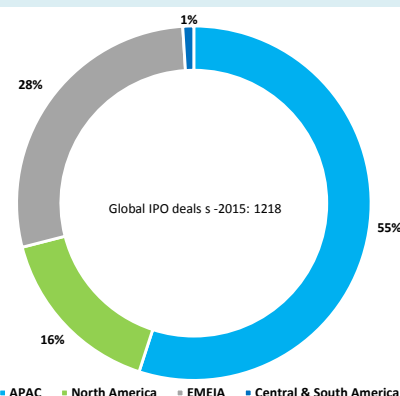
The EMEIA region which includes Middle East and India came in second both in terms of IPO deal numbers and proceeds. Nevertheless capital raised was down 10% y-o-y, at USD 67.1 Bn, while the number of deals fell 5% y-o-y to 346 IPOs. US IPOs witnessed a challenging year in 2015, as the number of technology IPOs diminished, reportedly due to the marked rise in the availability of private capital. IPO deal numbers were down 41% from 2014 at 173 deals, and capital raised through primary issues were down 65% to USD 33.3 Bn.

GCC IPOs by country - 2001 to 2015



Source: Zawya, KAMCO Research

Global IPO regional split - 2015



Source: EY, KAMCO Research

Over 2001-15, Financial Services continued to remain the most active industry in the GCC at the IPO market with 66 deals. Industrial Manufacturing followed with 26 capital issuances followed by Oil & Gas (26) and Real Estate (16). Cautious optimism is expected to prevail in 2016, as volatility, electoral uncertainty and the impact of geopolitical shocks are expected to have significant impact on the IPO market in 2016.

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