

# MENA IPO Eye

Annual edition Q4 2016



Building a better  
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# MENA IPO Eye

## Annual review 2016

### Volume



### Value (capital raised)



# MENA

## Twelve deals

(14% decrease on 2015)

# GCC

## Four deals

(20% decrease on 2015)

## US\$1.3b

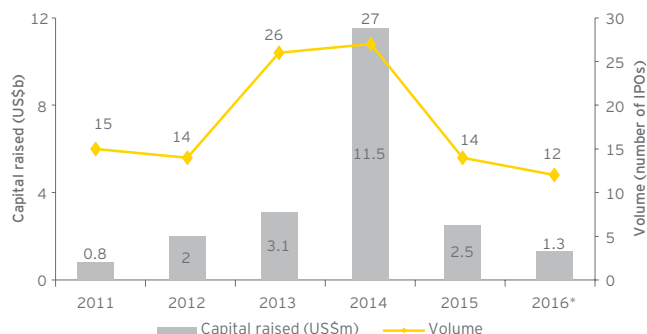
(48% decrease on 2015)

## US\$781.3m

(38% decrease on 2015)

## MENA IPO activity

(2011-16)



Source: Thomson Eikon, CapIQ and Press

### MENA IPO market remained subdued in 2016 amid global uncertainty

- Companies in the Middle East and North Africa (MENA) region raised lower IPO proceeds in 2016, compared with 2015, against a backdrop of global uncertainty driven by:
  - The impact of the UK referendum to exit the European Union
  - Uncertainty around US presidential election
  - The effect of sustained low oil prices on MENA governments, investors and stock markets
- The average value of IPO offerings in MENA decreased because of smaller IPOs in the gulf region and an increased number of smaller size IPOs in the North African countries, particularly Egypt. Saudi Arabia continued to drive capital market activity in MENA.

## Top five IPOs in 2016 by capital raised

Company	Domicile	Sector	Amount raised (US\$m)	Exchange
Middle Healthcare Company	Saudi Arabia	Health care	471.1	Saudi SE
Société d'Exploitation des Ports	Morocco	Transport	197.2	Casablanca SE
Al-Yamamah Steel Industries Company	Saudi Arabia	Industrial manufacturing	146.3	Saudi SE
L'AZURDE Company for Jewelry	Saudi Arabia	Consumer goods	127.3	Saudi SE
Arabian Food Industries Company (Domty)	Egypt	Food and beverages	126.9	Egypt SE

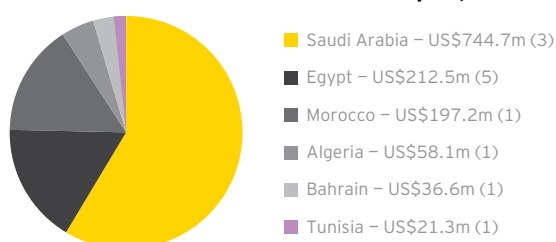
Source: Thomson Eikon, CapIQ and Press

### Saudi Arabia continues to dominate the MENA IPO market in terms of the largest IPOs

- The IPO of Middle East Healthcare Company (MEHCO) during Q1 2016 was the largest in the MENA region, raising capital of US\$471.1m. MEHCO owns the Saudi German Hospitals brand and offered 30% of existing shares to the public. The offer was heavily subscribed by institutional and retail investors.
- The second largest IPO was in Morocco, with Société d'Exploitation des Ports, a national port operator, raising US\$197.2m of capital in Q3 2016. This was the largest IPO on the Morocco bourse since 2008 and represented the first privatization of government assets in the country.

## Key trends 2016

### Number of IPOs in MENA countries by capital raised



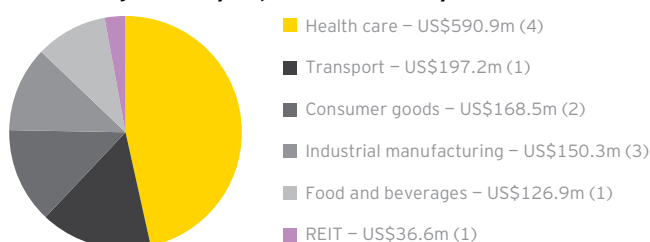
Source: Thomson Eikon, CapIQ and Press

Note: number of IPOs provided in brackets

### Saudi Arabia and Egypt were the most active MENA IPO markets in 2016

- Saudi Arabia witnessed three IPOs in 2016, raising US\$745m, all of which were in the first half of 2016. Companies in Saudi Arabia continue to consider the IPO route given continuing investor demand and companies considering raising capital or divesting their shareholdings in light of difficult economic conditions and to take advantage of growth opportunities.
- Egypt was the second-most active IPO market in MENA and witnessed five IPOs. Egyptian companies continue to take advantage of increasing geopolitical stability and investor confidence. The recent floating of the Egyptian pound has resulted in stock prices increasing significantly in Q4 2016, driven by the prospect of an IMF loan becoming accessible and foreign exchange certainty.
- There were no IPOs on the UAE, Qatar and Kuwait bourses in 2016. The last IPO on the DFM was Dubai Parks and Resorts back in 2014, since then Damac converted Global Depositary Receipts (GDRs), listed on the LSE, to listed shares on the DFM in January 2015, which is considered as a technical listing only and not an IPO.

### IPOs categorized by capital raised in key sectors



Source: Thomson Eikon, CapIQ and Press

Note: number of IPOs provided in brackets

### Health care and industrial manufacturing were the most active IPO sectors in 2016

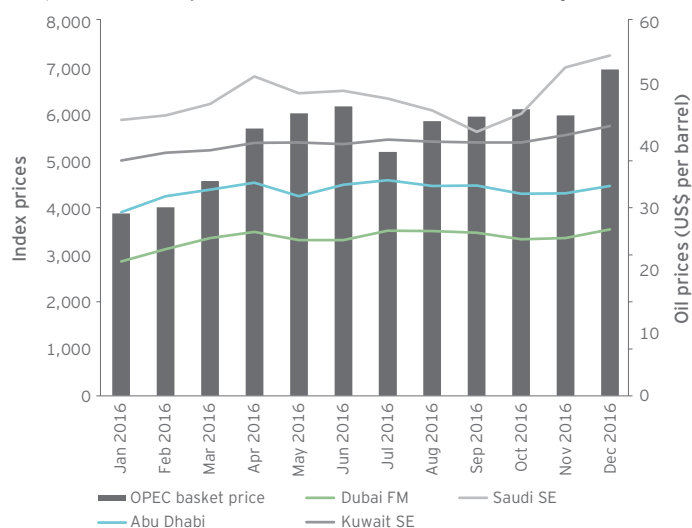
- Health care (four IPOs) and industrial manufacturing (three IPOs) were the most active sectors in 2016.
- Health care continues to be a popular sector for companies to consider an IPO, given investor interest, growing health care demand in MENA, the increasingly privatized nature of health care provision in MENA and potentially higher multiples than other sectors.
- Healthcare IPOs were more popular in North Africa, with two private equity (Abraaj) backed IPOs, including Cleopatra Hospital (Egypt SE).
- MEHCO, the largest health care IPO in 2016 also included a major shareholder in the form of a financial institution, International Finance Corporation, which was looking to partially exit their shareholding.

# Key trends 2016 (continued)

## Gradual recovery in oil prices, particularly after OPEC announced production cuts

- Oil prices have steadily recovered in 2016 from the lowest level in several years (less than US\$30 per barrel), resulting in fluctuations across the MENA capital markets, to more than US\$50 per barrel.
- Increasing oil prices and improving sentiment in global markets have resulted in an uptick in MENA stock market performance over the course of the year, particularly in Q4 2016.
- On 30 November 2016, OPEC reached a deal to cut their oil production by 1.2 million barrels per day (mbpd) resulting in a surge in oil prices of 15% since the OPEC's announcement, with Brent crude rising from US\$46 per barrel up to US\$53.7 per barrel within one day. This was shortly followed up by an agreement with non-OPEC producers, including Russia, Sudan and Equatorial Guinea to cut production by 558,000 mbpd.

## Oil prices and regional indices movements (monthly, 2016)



Sources: EIA and ThomsonOne Elkon

## Regulatory changes

- The UAE circulated new draft IPO regulations for feedback from stakeholders. These regulations set requirements increasingly in line with international exchanges; however, listing requirements on the DFM or ADX have been untested since the last IPO on the DFM in 2014.
- The CMA (Saudi Arabia) announced a number of major changes as Saudi Arabia works toward inclusion in the MSCI Emerging Market Index. These changes include relaxing the requirements for foreign institutional investors, introducing new trading options, relaxing rules around short selling, and reporting deadlines and implementing a new settlement process (T+0 to T+2).

## Parallel and secondary markets

- The CMA (Saudi Arabia) approved the final version of the Parallel Market (SME market) Listing Rules in December 2016. The new exchange is planned to commence trading in February 2017 and intends to target small and medium enterprises (SME), such as family businesses. Among the mechanisms to encourage firms to list on the SME market is a minimum capital requirement of SAR10m, significantly below the SAR100m floor for listing on the main market.
- Similarly, the Qatar Exchange Venture Market, a secondary exchange targeting small- and medium-sized companies, was in the process of being established in 2016. It is expected that several companies will come to IPO on this secondary exchange in 2017.



# Top five rights issues and bond issues in 2016 by capital raised

## Rights issues

Company	Domicile	Sector	Amount raised (US\$m)	Exchange
Dubai Islamic Bank P.J.S.C	UAE	Financial Services	861.2	DFM
Qatar Insurance Company	Qatar	Financial Services	541.5	QSE
National Bank of Kuwait	Kuwait	Financial Services	434.2	KWSE
The Commercial Bank	Qatar	Financial Services	412.0	QSE
Emirates Islamic Bank PJSC	UAE	Financial Services	408.4	DFM

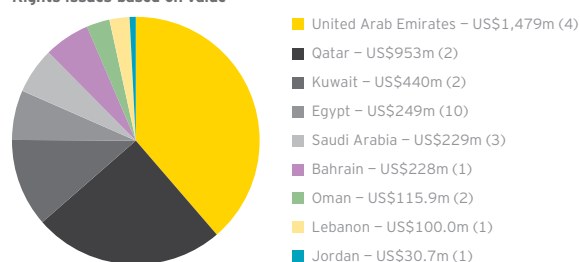
Sources: S&P capital IQ

## Bond issues

Company	Domicile	Sector	Amount raised (US\$m)	Exchange
Dubai Islamic Bank P.J.S.C	UAE	Financial Services	750.0	DFM
African Export-Import Bank	Egypt	Financial Services	743.4	Not applicable
ICICI Bank Limited, Dubai Branch	UAE	Financial Services	697.1	Not applicable
National Bank of Abu Dhabi PJSC	UAE	Financial Services	621.0	ADX
Qatar National Bank	Qatar	Financial Services	600.0	QSE

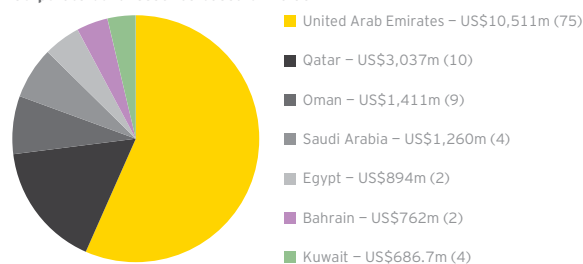
Sources: S&P capital IQ

## Rights issues based on value



Note: Number of IPOs are provided in brackets

## Corporate bond issuance based on value



Note: Number of IPOs are provided in brackets

- The top five rights issues and bond issues in 2016 across MENA were driven by financial services companies looking to strengthen their balance sheets in the face of deteriorating market conditions and regulatory capital or solvency requirements.
- UAE and Qatar dominated the value of rights issues and bond issues in 2016.



## MENA IPO Eye

### Q4 2016 review

Volume



Value  
(capital raised)



## MENA

### Three deals

(50% increase on Q4 2015)

US\$78.1m

(34% decrease on Q4 2015)

## GCC

### One deal

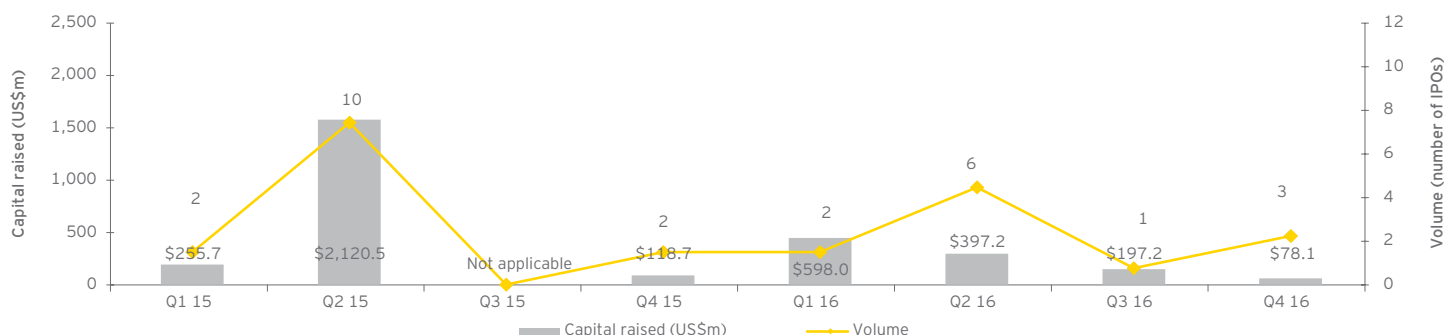
(no change compared with Q4 2015)

US\$36.6m

(64% decrease on Q4 2015)

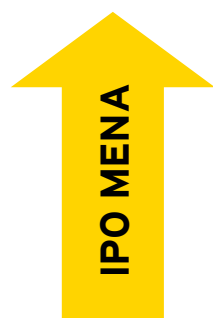
## MENA IPO activity

(Q1 2015-Q4 2016)



Note: The value of the capital raised through IPOs in Q1 2016 has been revised from US\$615m to US\$598m because of the currency deviations between the Egyptian pound and US dollar in relation to the IPO of Arabian Food Industries Company, which was updated by Capital IQ following the cut off for the Q1 2016 publication.

## Key trends



- ▶ In Q4 2016, Egypt remained the most active stock exchange in MENA and witnessed two IPOs, Obourland for Food Industries and Arabian Rocks Plastics Industries. The MENA capital markets continued to be subdued as companies and investors awaited the result of a number of key events, e.g., OPEC meeting and the US presidential election.
- ▶ The agreement of OPEC and non-OPEC members to cut oil production in November and December 2016 respectively, has resulted in the increase of global oil prices, which has led to positivity across the MENA Region and an uptick in the performance of MENA capital markets.
- ▶ In Q4 2016, the performance of all key MENA stock markets recovered and returned to positive territory compared with the beginning of 2016. Market returns increased sharply in Egyptian stocks, in particular, following the floating of the Egyptian pound in November 2016, driven by the prospect of a US\$12b IMF loan becoming accessible, and increased certainty and investor confidence.
- ▶ The CMA (Saudi Arabia) has approved the final version of the Parallel Market (SME market) Listing Rules in December 2016. The new exchange is planned to commence trading in February 2017 and intends to target small and medium enterprises (SME).
- ▶ The US dollar has continued to strengthen during 2016 compared with other international currencies, such as the Euro and the British pound. Given most MENA currencies are pegged to the US dollar, this trend has resulted in cheaper imports. However, a cheaper imports but also a potentially negative effect on trade and tourism for the MENA economies and companies, depending on their respective trade profiles.

## Q4 IPO snapshot

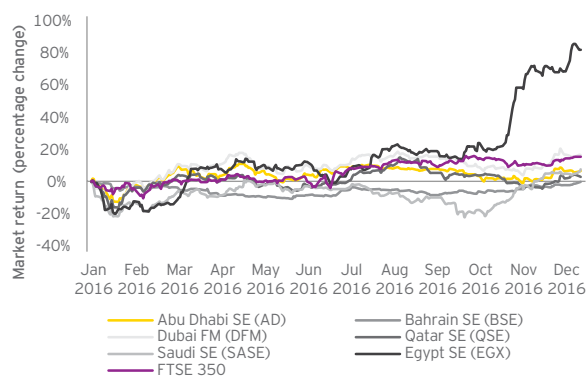
Issuer	Amount raised (US\$m)	Sector	Exchange
Obourland for Food Industries	41.2	Consumer goods	Egypt SE
Eskan Bank Realty Income Trust	36.6	REIT	Bahrain SE
Arabian Rocks Plastics Industries	0.3	Industrial manufacturing	Egypt SE

Source: Thomson Eikon, CapIQ and Press

Note: SE – stock exchange

## Regional stock market performance

Regional stock market performance – 2016 returns

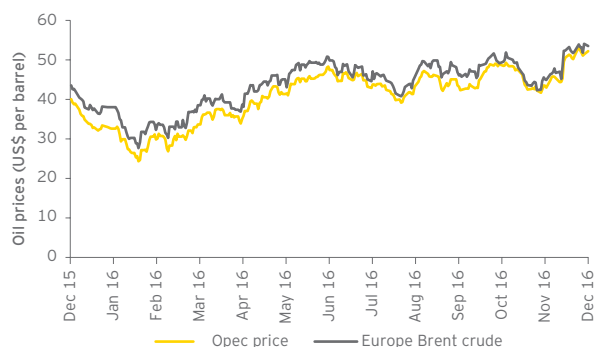


Source: CapitalIQ

Exchange	2016	Market Cap (US\$b)
SASE	6.9%	452.8
QSE	2.6%	153.3
ADX	6.0%	118.6
DFM	14.8%	82.3
EGX	74.5%	17.3
BSE	-0.1%	18.6
FTSE 350	13.9%	2,850

Source: Thomson Eikon

## Oil price movement (last one year)



Source: OPEC and Energy Information Association (EIA)

## Broader outlook

- ▶ Increasing stability in oil prices and confidence in the global economy and markets are likely to drive increased IPO activity in 2017 across MENA, with a strong backlog of companies potentially preparing to come to market.
- ▶ An increasing number of technical listings are expected in the financial services sector to take advantage of new regulatory jurisdictions and free zones.
- ▶ There is also a continued privatization of government assets across MENA, particularly in Saudi Arabia and Egypt.
- ▶ The CMA (Saudi Arabia) plans to launch a Parallel Market in February 2017. It is expected to encourage small and medium-sized firms to go public.
- ▶ Various recent reforms in Saudi Arabia have led to the MSCI reiterating that it will launch a review in June 2017 to include Saudi Arabia in its Emerging Market Index, with full inclusion potentially as early as mid 2019.
- ▶ The US Federal Reserve increased interest rates by 0.25% to 0.75% in December 2016 with further increases expected in 2017. This may impact investor appetite for equities versus debt instruments and the global capital markets, including MENA, going forward.

## Summary of IPOs (2015-16)

Quarter	Issuer	Size (US\$m)	Sector	Exchange
4Q 2016 – 22 Dec	Arabian Rocks Plastics Industries	0.3	Industrial manufacturing	Egypt SE
4Q 2016 – 13 Dec	Obourland for Food Industries	41.2	Consumer goods	Egypt SE
4Q 2016 – 6 Dec	Eskan Bank Realty Income Trust	36.6	REIT	Bahrain SE
Q3 2016 – 1 Jul	Société d'Exploitation des Ports	197.2	Transport	Casablanca SE
Q2 2016 – 13 Jun	L'AZURDE Company for Jewelry	127.3	Consumer goods	Saudi SE
Q2 2016 – 30 May	Cleopatra Hospital	40.4	Health care	Egypt SE
Q2 2016 – 3 May	Al-Yamamah Steel Industries Company	146.3	Industrial manufacturing	Saudi SE
Q2 2016 – 23 Apr	Unité de fabrication de médicaments (Unimed)	21.3	Health care	Tunis SE
Q2 2016 – 7 Apr	Biopharm SPA	58.1	Health care	Algeria SE
Q2 2016 – 5 Apr	MB For Engineering and Contracting	3.7	Industrial manufacturing	Egypt SE
Q1 2016 – 17 Mar	Arabian Food Industries Company (Domty)	126.9	Food and beverages	Egypt SE
Q1 2016 – 9 Mar	Middle East Healthcare Company	471.1	Health care	Saudi SE
4Q 2015 – 23 Dec	Al-Andalus Real Estate Company	100.8	Real estate	Saudi SE
4Q 2015 – 2 Dec	AFMA SA	17.9	Financial services	Casablanca SE
Q2 2015 – 25 Jun	Emaar Misr	298.8	Real estate	Egypt SE
Q2 2015 – 23 Jun	Zain Iraq	0.004	Telecommunications	Iraq
Q2 2015 – 9 Jun	Saudi Ground Services Company	751.9	Transport	Saudi SE
Q2 2015 – 8 Jun	Phoenix Power Company SAOG	146.2	Power and utilities	Muscat SM
Q2 2015 – 20 May	Universal Automobile Distributors Holding	42	Transport	Tunis SE
Q2 2015 – 15 May	Total-Maroc	73.9	Oil and gas	Casablanca SE
Q2 2015 – 11 May	Integrated Diagnostics Holdings PLC	290.2	Health care	London SE
Q2 2015 – 28 Apr	Saudi Company for Hardware	134.4	Industrial manufacturing	Saudi SE
Q2 2015 – 14 Apr	Middle East Paper Company	119.9	Industrial manufacturing	Saudi SE
Q2 2015 – 1 Apr	Edita Food Industries	263	Food and beverages	Egypt SE, London SE
Q1 2015 – 4 Mar	Orascom Construction Ltd	185	Construction	Egypt SE, Nasdaq Dubai
Q1 2015 – 4 Jan	Orascom Hotels & Development	70.7	Leisure and tourism	Egypt SE

Source: CapIQ and Thomson Eikon

Note: stock exchange (SE)

## Select IPOs in pipeline

Issuer	Country
GEMS education	UAE
UAE exchange	UAE
Egyptian Propylene & Polypropylene	Egypt
Amman Stock Exchange	Jordan
Saudi Aramco	KSA
UrbaCon Trading & Contracting Co LLC	Qatar
Arabian Centres Co Ltd	KSA
Emirates District Cooling	UAE
Leejam Sports Co PJSC	KSA
Saudia Aerospace Engineering Industries	KSA
ACWA Power International Co	KSA
Rooya Group	Egypt
Saudi Stock Exchange Tadawul	KSA
Advanced Energy Systems	Egypt
National Air Services	KSA
Banque de Caire	Egypt
Investment Holding Group	Qatar

Source: Capital IQ and Thompson Eikon

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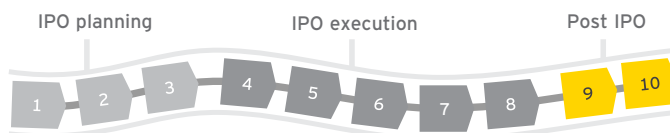
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## Key events

Name of the event	Date	Theme
Middle Eastern M&A and Private Equity Forum 2016, Saudi Arabia	May 2017	This flagship event will give you the opportunity to hear from expert speakers who will discuss and debate M&A activity in the Middle East and the wider emerging markets. Sessions will also explore future investment opportunities for dealmakers over the next year.
IPO – Going Public	13-14 February 2017	The event is themed around amplifying companies' capital stance by going public and considerations on alternative financing approaches.

## How EY can help



- ▶ For any company considering an IPO on a MENA or international stock exchange, it is critical to map out the IPO value journey.
- ▶ As a first step to effective IPO planning, we recommend undertaking an IPO readiness diagnostic to identify the key gaps across several areas of the business when compared with best practice and stock exchange requirements.
- ▶ A key output of the IPO readiness diagnostic is a detailed road map of activities to address identified gaps, actioned with the assistance by EY professionals and other specialist advisors.
- ▶ Effective IPO planning and execution will increase your chances of a successful IPO transaction, help improve your business, and save time and costs during the IPO journey.

### EY IPO services

- 1 IPO readiness diagnostic**  
Including various follow-up services to help address the IPO readiness gaps identified
- 2 IPO execution services**  
Dependent on listing destination, including: Financial Due Diligence, Working Capital Report, Feasibility Studies, Valuation Services, Financial Positions and Prospects, MD&A section of Prospectus drafting, Comfort Letters and Project Management services

EY has a dedicated MENA IPO team which has experience in successfully executing IPO services across key exchanges in MENA and international regions.

## EY | Assurance | Tax | Transactions | Advisory

### About EY

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