

How can the
opportunities to go public
be seized, not lost?

MENA IPO Eye: Q2 2022
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Contents

01	MENA IPO market	04
02	Global IPO market	13
03	Appendix	18

About this report

EY *MENA IPO Eye* report is released every quarter and looks at the IPO markets, trends and outlook for the MENA region. The current report provides insights, facts and figures on the MENA IPO market during Q2 2022. You will find this report at the EY IPO website and you can subscribe to receive it every quarter. All values are US\$ unless otherwise noted.

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MENA IPO market

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MENA IPO activity continues to defy global trends and remains a bright spot in a challenging market. The number and value of deals in the second quarter of this year confirms that investors still have an appetite for growth, yield and diversification. Several MENA listings from a range of sectors were oversubscribed, which is encouraging for companies looking to list during the second half of this year.

Brad Watson

EY MENA Strategy and Transactions Leader



01

MENA IPO
market

MENA IPO market summary

Key highlights: IPOs

- ▶ MENA IPO markets saw nine IPOs during Q2 2022 raise approximately US\$9b in proceeds. Although the number of IPOs has decreased by 40% as compared with Q1 2022, the proceeds raised increased by 133%.
- ▶ This brings the total number of MENA IPOs during H1 2022 to 24 IPOs, an increase of 500% as compared with H1 2021. Total proceeds raised for MENA IPOs during H1 2022 were approximately US\$13.5b, an increase of 2,952% as compared with H1 2021.
- ▶ In the UAE, Dubai Electricity and Water Authority PJSC (DEWA) raised over US\$6b, becoming the biggest IPO in EMEA since 2019 and the largest IPO to date in the UAE. The order book was 37 times oversubscribed. Borouge plc, the second-largest IPO during H1 2022, raised US\$2b with an aggregate oversubscription of almost 42 times. TECOM Group raised US\$454m and saw an oversubscription level of more than 21 times.
- ▶ ADC Acquisition Corp PJSC became the first special purpose acquisition company (SPAC) to ever be listed in MENA, as it raised US\$99.9m and was listed on the ADX. ADC was established by ADQ, through its Alpha Oryx special purpose vehicle, and Chimera Investment as a SPAC for the purpose of identifying and acquiring one or more businesses.
- ▶ In Saudi Arabia, Saudi Home Loans Company raised US\$160m with the book building being oversubscribed by 50 times and listed on the Tadawul during Q2 2022. Retal Urban Development Company raised US\$384m with its institutional order book being 62 times oversubscribed.
- ▶ The Nomu-Parallel Market witnessed three IPOs during Q2 2022 which raised US\$40.8m in total (Arabian Food & Dairy Factories Company, Ladun Investment Company and Amwj International Company).

Key highlights: direct listings

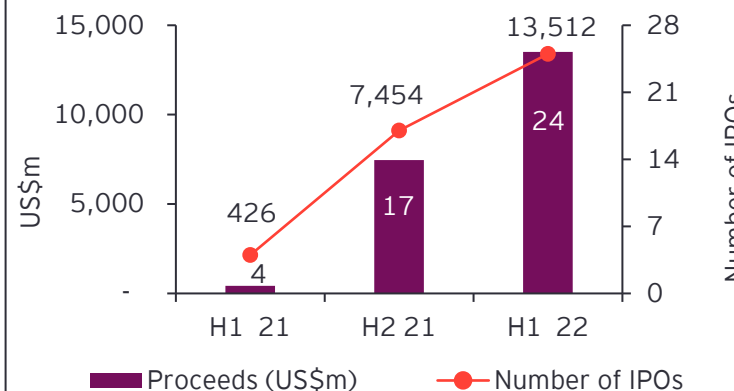
- ▶ Ali Alghanim and Sons Automotive Company raised new capital of US\$323m through a private placement before listing on Bursa Kuwait. The private placement was oversubscribed approximately 11 times.
- ▶ On the ADX, GFH Financial Group BSC completed its fourth regional listing, with its shares already listed on the Bahrain Bourse, Bursa Kuwait and the DFM. The ADX rebranded its Second Market into the Growth Market in April 2022 and during Q2 2022, Invictus Investment Company became the 13th company to be listed on the Growth Market.
- ▶ There were three direct listings (i.e., no funds raised through a public offering, but admitted to trading) on the Nomu-Parallel Market during Q2 2022 – Naseej for Communication and Information Technology Company, Aqaseem Factory for Chemicals and Plastics Company and National Environmental Recycling Company.

MENA IPO overview

Q2 2022	H1 2022
9 IPOs US\$9b proceeds	24 IPOs US\$13.5b proceeds
Change y-o-y	Direct listings Q2 2022
500% IPOs 2,952% proceeds	6
	Direct listings H1 2022
	12

Note: Change y-o-y reflects H1 2021 vs. H1 2022.

MENA IPO activity



Sources: Refinitiv Eikon, S&P Capital IQ.

MENA IPOs during Q2 2022

List of MENA IPOs: Q2 2022

Listing date	Issuer	IPO proceeds (US\$m)	IPO price (US\$)	Share price performance %*	Sector	Exchange
12 Apr 2022	Dubai Electricity and Water Authority PJSC	6,076.9	0.68	1.6%	Utilities	DFM
20 Apr 2022	Saudi Home Loans Company	159.9	5.33	0.2%	Banks	Tadawul
27 May 2022	ADC Acquisition Corp PJSC SPAC	99.9	2.72	11%	Investment holding companies	ADX
3 Jun 2022	Borouge plc	2,005.2	0.67	19.6%	Chemicals	ADX
12 Jun 2022	Arabian Food & Dairy Factories Company	5.3	18.93	142.5%	Food and beverages	Tadawul (Nomu)
14 Jun 2022	Ladun Investment Company	24.0	4.8	-16.5%	Real estate	Tadawul (Nomu)
16 Jun 2022	Amwaj International Company	11.5	19.2	2.9%	Retailing	Tadawul (Nomu)
27 Jun 2022	Retal Urban Development Company	383.9	32.0	2.5%	Real estate	Tadawul
5 Jul 2022	TECOM Group**	463.0	0.73	NA	Real estate	DFM

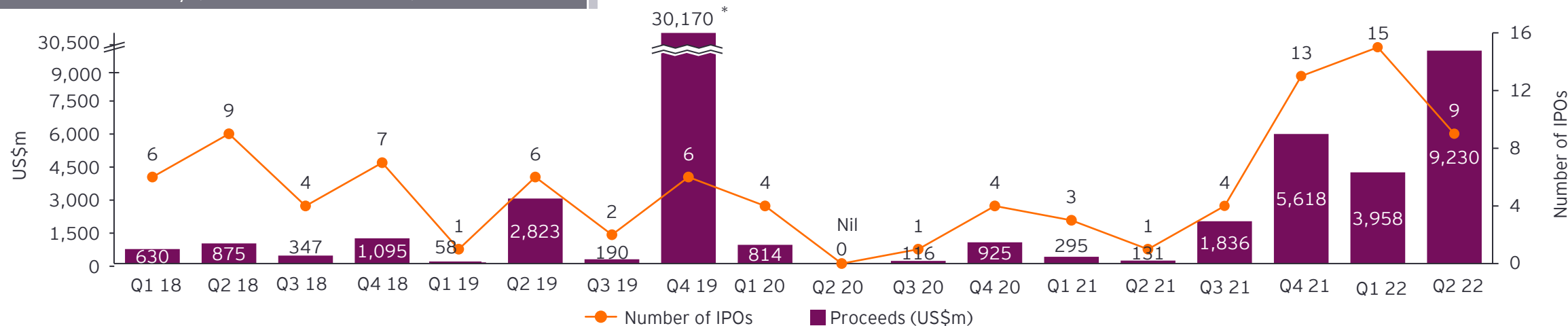
*Share price performance measured by IPO price as at 30 June 2022.

** TECOM Group – Listing occurred during Q3 2022. Share price decreased by 8.6% on the first day of trading, as compared with the IPO price.

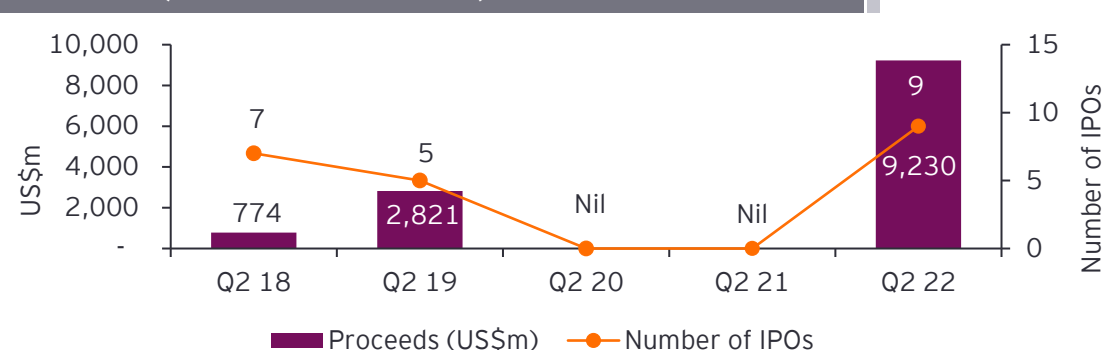
Sources: Refinitiv Eikon, S&P Capital IQ.

MENA IPO activity

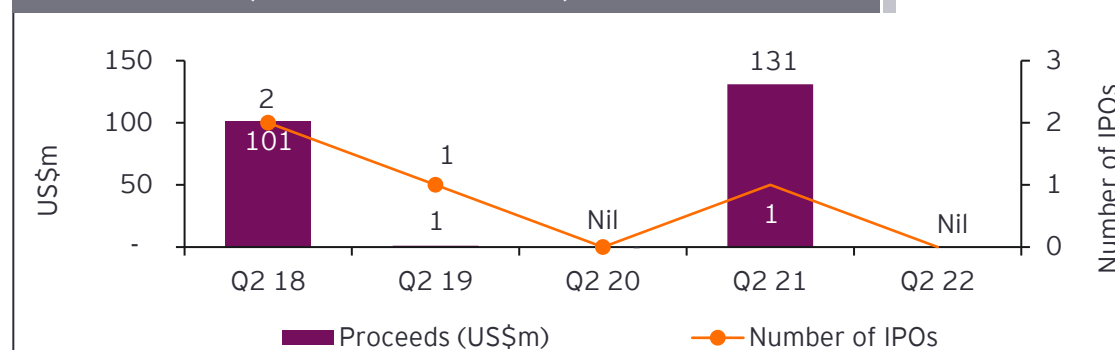
MENA IPO activity (Q1 2018 to Q2 2022)



GCC IPOs (Q2 2018 to Q2 2022)



Non-GCC IPOs (Q2 2018 to Q2 2022)



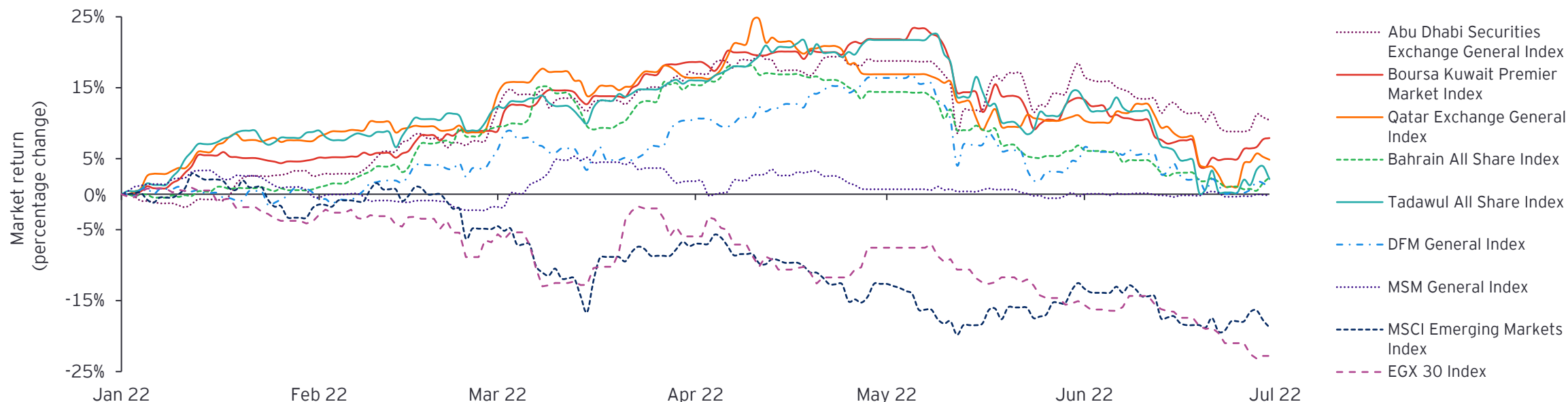
Notes: IPOs, including REIT listings, have been considered in each quarter, based on the listing date.

*Saudi Aramco listing.

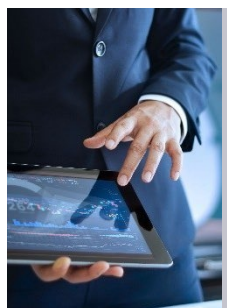
Sources: Refinitiv Eikon, S&P Capital IQ.

MENA equity markets

MENA exchanges performance



Source: Refinitiv Eikon.

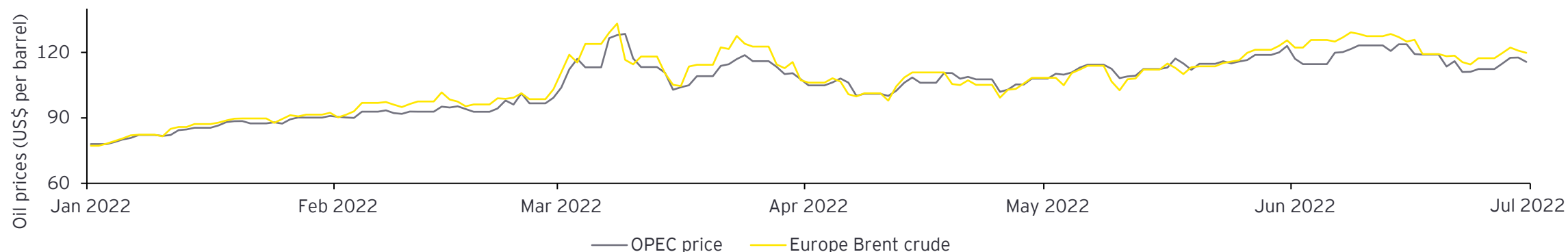


The majority of the observed MENA equity markets saw a strong start to the year, which continued during Q1 2022. However, investors are growing increasingly concerned about a global recession risk, which has had an impact on market performance in the region during Q2 2022. Despite the global sentiment, the IPO market in the MENA region (and particularly in the UAE and Saudi Arabia) has been a bright spot amid a bearish market. Still a healthy pipeline of companies in the region, including quieter IPO markets such as Oman, are looking to come to market during H2 2022.

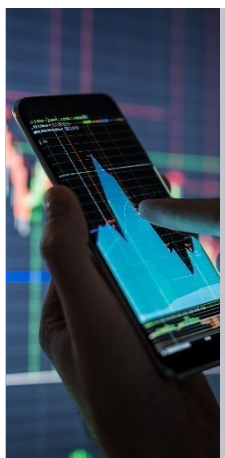
During H1 2022, the Abu Dhabi Stock Exchange was the top-performing MENA market, with a total increase of 10.4% year to date (YTD). The Dubai Financial Market (DFM) ended H1 2022 nearly flat at 0.9% despite having peaked at an increase of 16.8% in early May. The market in Saudi Arabia corrected from an increase of 16.1% at the end of Q1 2022 to the end of H1 2022 with a total increase of merely 2.1%. The EGX 30 index continued its losses during H1 2022, witnessing a decrease of 22.8% at the end of Q2 2022. The Boursa Kuwait Premier Market Index saw an increase of 7.9% YTD, while the Qatar Exchange Index went up by 4.9%.

MENA oil price performance

OPEC and Brent oil price



Source: Organization of the Petroleum Exporting Countries (OPEC) and Energy Information Association (EIA).



The theme for Q3 2022 is momentum meets uncertainty. Crude oil markets began the quarter just below US\$100 per bbl and have closed below that level on only two days since late April. As we begin Q3 2022, there are increasing concerns about the health of the global economy and how that might affect oil and gas demand.

It is inevitable that inflation, and central bank policies to combat it, will impact oil and gas markets. The COVID-19 pandemic-induced fiscal and monetary expansion and supply chain interruption have conspired to put relentless upward pressure on the price of everything. The obvious response, higher interest rates and an end to quantitative easing, are bound to affect economic growth. Layered onto the policy risks are the potential for ongoing supply-side issues created by the war in Ukraine and the COVID-19 pandemic lockdowns in China. A growing sense of pessimism (reflected in equity values) about how much GDP might grow, or shrink, has crept into market sentiment. Crude began to retreat by the end of Q2 2022 as evidenced by the Brent and WTI prices falling below their 50- and 200-day averages.

The supply side of the equation is equally murky. OPEC output fell marginally (176 kbpd) in May to 28.5 mbpd and spare capacity among members is limited. The combination of tougher sanctions on Russian oil and Russia's use of gas supplies as leverage against countries aiding Ukraine and participating in other sanctions brings additional uncertainty to an already volatile market. In early June 2022, the EU approved sanctions on Russian oil that begin in early December and cover about two-thirds of crude oil imports (currently about 2.8 mbpd) and all refined product imports (about 1.2 mbpd). Time will tell how much of that oil will find its way into non-sanctioning countries and how much will actually disappear from the market.

Source: EY Price Point: global oil and gas market outlook Q3 | July 2022.

Factors to consider for IPO candidates in the current climate



Factors to consider for IPO candidates in the current climate

Implications for IPO candidates

IPO candidates looking to go public will need to be well prepared. They will need to:

1

Demonstrate resilience with innovative business models, agility in navigating supply chain constraints, strength in financial positions and preparation in adapting to ongoing concerns around the COVID-19 pandemic.

2

Be realistic and flexible about valuation levels, given that H1 2022 has seen many companies trading below their IPO price, and be well prepared to seize the windows of opportunity when they open.

3

Conduct extensive pre-marketing and pre-IPO funding, complete with cornerstone investors, to mitigate uncertainty and improve pricing leverage.

4

Consider the impacts of geopolitical risk, macroeconomic factors (inflation and interest rates) and a changing regulatory environment (stock exchange reforms and environment, social and governance (ESG) requirements).

5

Be able to clearly articulate an embedded ESG strategy and culture, from climate change mitigation initiatives to promoting board and management diversity.

6

Consider all options, from alternative IPO process (direct listing or SPAC merger) to other financing method (private capital, debt or trade sale).



MENA IPO market

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The second quarter of 2022 continued the momentum of the first quarter, with Saudi Arabia and the UAE leading IPO activity in the MENA region. Despite concern from investors regarding the risk of a global recession, there remains a healthy pipeline of IPO candidates from KSA and the UAE, as well as quieter IPO markets such as Oman, Qatar, and Kuwait, looking to come to market in the future.

As part of their IPO readiness assessments, businesses are focusing even more on the impact of the changing regulatory environment, particularly around environment, social and governance (ESG) requirements. ESG will continue to be a key theme for investors and potential candidates. As the global climate continues to change and the constraint on energy supplies increases, companies that have embedded ESG into their core business values and operations should attract more investors and higher valuations

Gregory Hughes

EY MENA IPO and Transaction Diligence Leader



02

Global IPO market



Global IPO market

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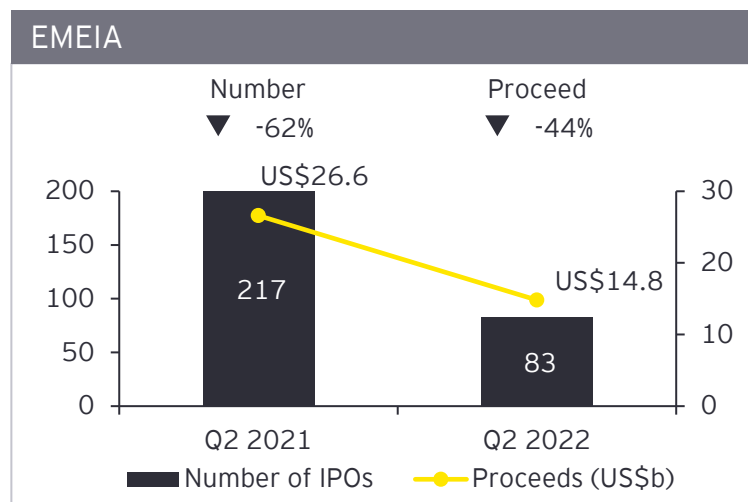
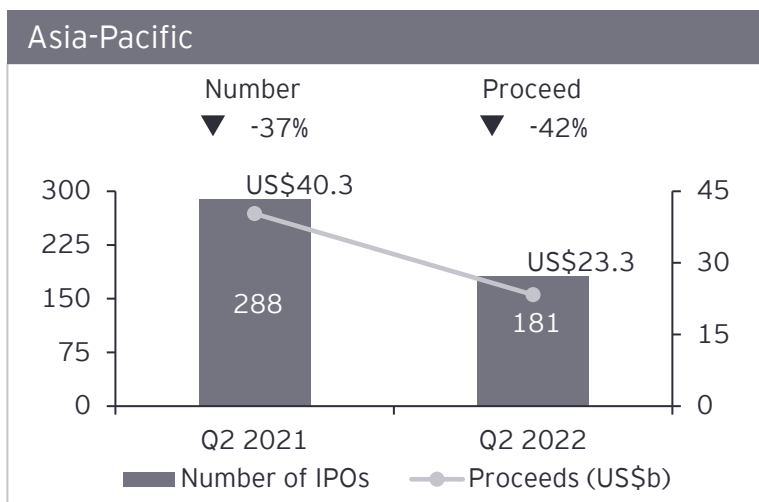
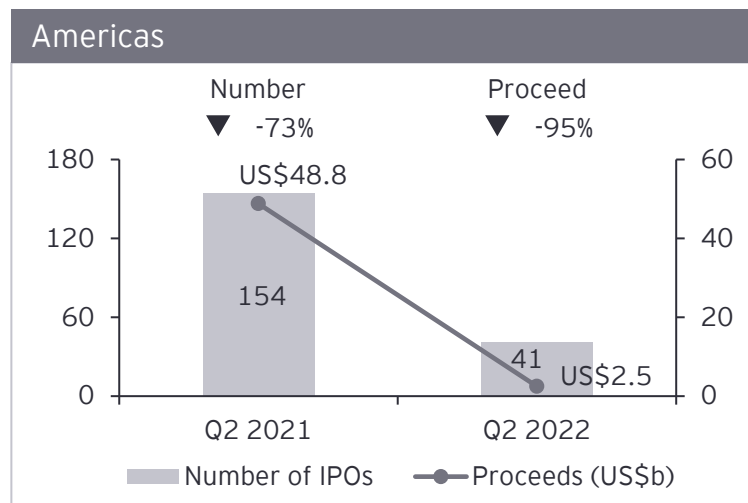
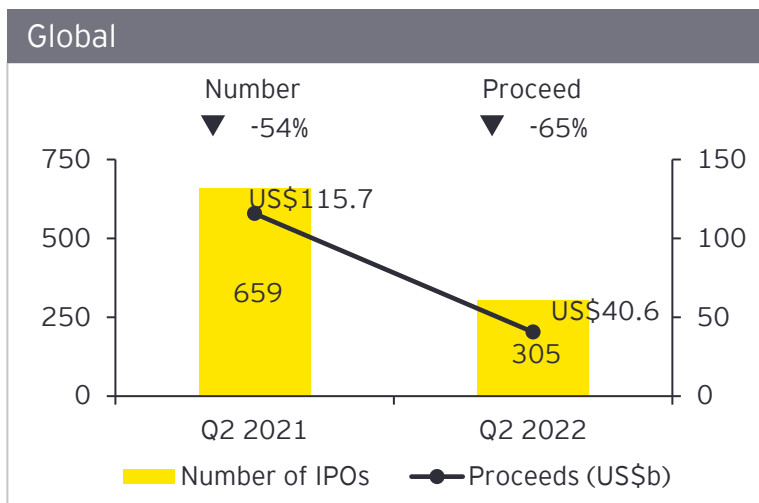
Increasing market volatility from rising geopolitical tensions, unfavorable macroeconomic factors, weakening stock market/valuation and disappointing post-IPO performance, which further deterred IPO investor sentiment.

With tightening market liquidity, investors have become more selective and are refocusing on companies that demonstrate resilient business models and profitable growth, while embedding ESG as part of their core business values.

Paul Go

EY Global IPO Leader

Global IPO activity Q2 2022



Q2 2022 saw a dramatic slowdown in IPO activity due to increasing market volatility, which led to the postponement of many IPOs.

Most major markets experienced a fall in overall IPO activity.

The Middle East and India were some of the rare bright spots amid a bearish market.

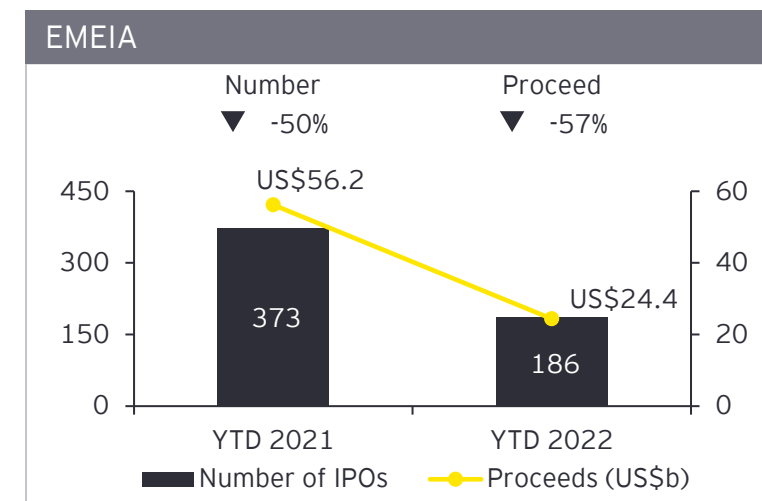
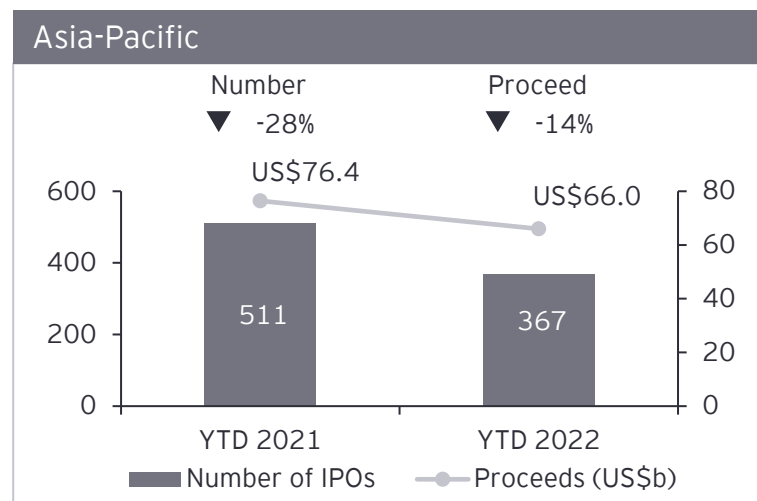
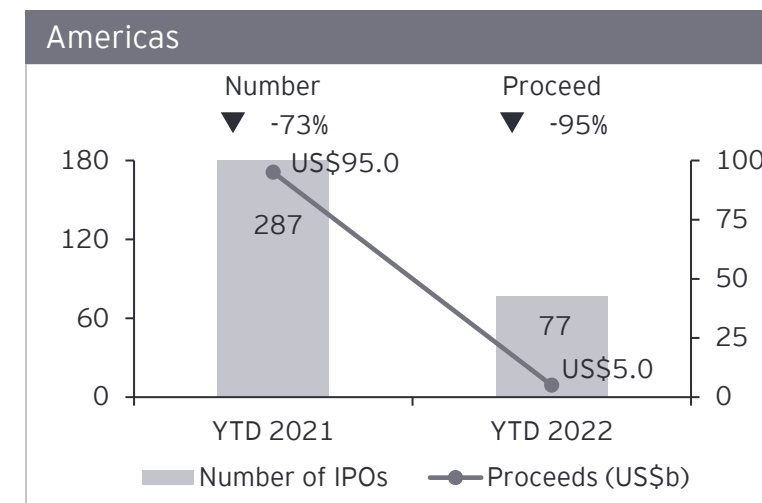
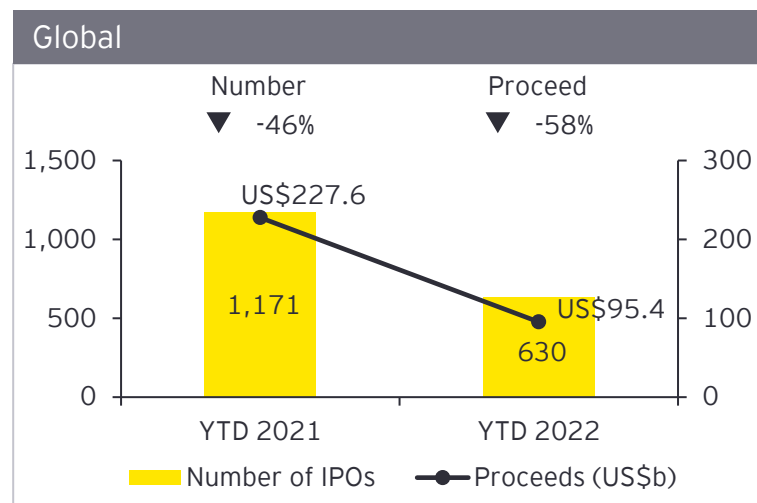
All amounts are in US\$ unless otherwise noted. Q2 2022 refers to the second quarter of 2022 and covers completed IPOs from 1 April 2022 to 21 June 2022, plus expected IPOs by the end of June. Data as of close of business (COB) 21 June 2022. Sources: EY analysis, Dealogic.

Global IPO activity H1 2022

Heightened volatility caused by geopolitical tensions and macroeconomic factors, declining valuation and poor post-IPO share price performance all led to significant drop in IPO activity from a record year in 2021.

Global activity almost halved in YTD 2022, with the Americas market seeing the biggest decline.

Asia-Pacific markets performed relatively better and benefitted from the two largest global IPOs YTD.



All amounts are in US\$ unless otherwise noted. YTD 2022 refers to the first six months of 2022 and covers completed IPOs from 1 January 2022 to 21 June 2022, plus expected IPOs by the end of June. Data as of COB 21 June 2022. Sources: EY analysis, Dealogic.

Global IPO market outlook

1

There were many mega IPOs postponed in H1 2022. This represents a healthy pipeline of companies that will be prepared to come to market when the windows open.

2

Strong headwinds from market volatility and uncertainty, however, are likely to remain. These include geopolitical risks, macroeconomic factors, weak capital market performance and impact from the COVID-19 pandemic on global travel and related sectors.

3

The technology sector is likely to continue as the leading sector in terms of the number of deals coming to market. However, with a greater focus on renewable sources of energy as oil prices increase, the energy sector is expected to continue to lead by proceeds from bigger deals.

4

Given the tightened market liquidity and significant decline in stock prices of many new economy companies that went public during the last two years, investors are becoming more selective and are refocusing on the companies' fundamentals instead of just "growth" stories and projections, e.g., sustainable profits and free cash flows.

5

ESG will continue to be a sector-agnostic key theme for investors and IPO candidates. As the global climate change and energy supplies' constraint intensify, companies that have embedded ESG into their core business values and operations should attract more investors and higher valuations.

6

Any success from the reforms that aim to attract more listings to some of the major stock exchanges can be enhanced by the "halo effect" from a successful listing of a high-profile IPO.



03

Appendix

IPO readiness assessment

Are you prepared?

Once you have decided to go public, you will need to map out all the necessary steps. **Advance preparation and planning are critical.** Unpredictable IPO markets make dual-tracking, IPO readiness and internal preparation more important than ever. Be ready to kick-start execution when the IPO window of opportunity opens. Getting IPO ready in the correct way means **implementing change throughout the business, organization and corporate culture.** As a public company, you will be subject to increased filing requirements, transparency, compliance, scrutiny by investors and analysts and overall accountability for delivering on promises.

To start the IPO planning and preparation process “on the right foot,” EY IPO readiness assessment can be used. It is a **structured approach designed to guide the company through a successful IPO transaction to a strong debut in the IPO market.** Successful businesses typically start preparing 12 to 24 months prior to the IPO – in many cases, with an IPO readiness assessment.

What are the objectives and values of the EY IPO readiness assessment?

It is designed to guide your company through a **successful transformation from private to public status.** Executives also want to understand more of the “measures that matter” – what it takes to win in the capital markets. Typical objectives are:

- ▶ Define an IPO base case that would become important information for the assessment.
- ▶ Identify the IPO readiness gaps and assess the efforts required to get ready.
- ▶ Train the key people on IPO leading practices and regulatory requirements.
- ▶ Prioritize the gaps in an IPO road map.

Companies that have completed a successful IPO know that the process is truly a metamorphosis – a series of planned, pervasive changes undertaken to achieve long-term objectives.

Start your IPO journey with an EY IPO readiness assessment.

EY’s integrated assessment and program management of IPO readiness modules are tailored to suit each company’s needs as it seeks to prepare the organization for a public listing event in the future. The core modules to consider are illustrated below:

EY IPO readiness assessment

1	2	3	4	5	6	7	8
Strategy	Structures	Taxes	Financial	Systems	Functions	Leadership	Timeline
<ul style="list-style-type: none">▶ IPO equity story▶ IPO destination▶ Issue concept	<ul style="list-style-type: none">▶ Issuing company▶ Group structure▶ Governance and legal	<ul style="list-style-type: none">▶ Company level▶ Shareholder level▶ Transaction level	<ul style="list-style-type: none">▶ External and internal reporting▶ Business plan and forecasting▶ Prospectus▶ Nonfinancial metrics	<ul style="list-style-type: none">▶ Internal controls and audit▶ Enterprise risk▶ Compliance management▶ IT security	<ul style="list-style-type: none">▶ Investor relations▶ Compliance or legal▶ HR▶ Sustainability or CSR or HSE	<ul style="list-style-type: none">▶ C-suite▶ Board of directors▶ Sub-committees▶ Remuneration	<ul style="list-style-type: none">▶ IPO timeline and regulatory approval▶ Plan B options▶ Project management and resources

EY IPO resources

Guide to going public

Download

Strategic considerations before, during and post-IPO



How ESG disclosures impact IPO valuation



Why successful investors focus on sustainability pre- and post-IPO



How can you find the clarity to steer your growth?



Will a new equilibrium in capital markets impact your ambitions?



How an IPO can strengthen family businesses for generations to come



How unicorns know when an IPO is the right strategic option

IPO activity per stock exchange

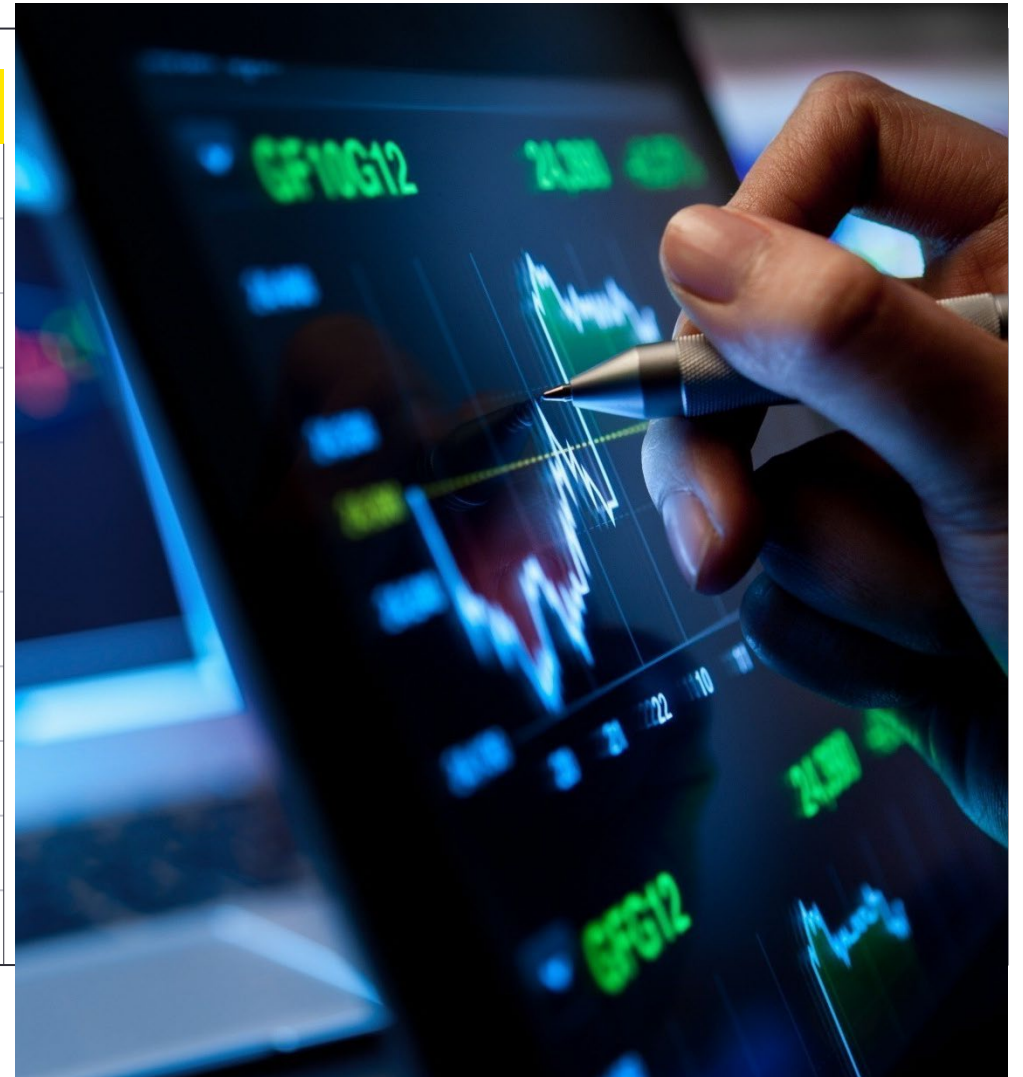
IPO activity per stock exchange			
Stock exchange	IPOs Q2 2022	IPOs LTM ¹ Q2 2022	IPOs since 2018 ²
Tadawul-Main Market	2	15	37
Tadawul-Nomu	3	13	15
ADX	2	5	5
DFM	2	2	3
EGX	0	2	11
Boursa Kuwait	0	0	2
MSX	0	2	7
Bahrain SE	0	0	1
QSE	0	0	3
Casablanca SE	0	1	4
Tunis SE	0	1	2

Notes:

1) Last 12 months (LTM).

2) Up to 30 June 2022.

Sources: Refinitiv Eikon, S&P Capital IQ.



MENA IPOs during Q1 2022

List of MENA IPOs: Q1 2022

Listing date	Issuer	IPO proceeds (US\$m)	IPO price (US\$)	Share price performance H1 2022 %*	Sector	Exchange
5 Jan 2022	Jahez International Company for Information System Technology	426.8	226	7	Consumer discretionary	Tadawul (Nomu)
6 Jan 2022	Advance International Company for Communication and Information Technology	11.7	29.3	14	Technology	Tadawul (Nomu)
18 Jan 2022	Alwasail Industrial Company	12.7	5.1	29	Industrials	Tadawul (Nomu)
7 Feb 2022	Gas Arabian Services Co Ltd	19.0	24	-17	Industrials	Tadawul (Nomu)
10 Feb 2022	Macro Group Pharmaceuticals	82.7	0.3	-50	Health care	EGX
14 Feb 2022	East Pipes Integrated Co	134.4	21.3	-20	Materials	Tadawul
16 Feb 2022	Elm Information Security Co	819.2	34.1	99	Technology	Tadawul
20 Feb 2022	Raoom Trading Co	21.3	21.3	86	Industrials	Tadawul (Nomu)
27 Feb 2022	Barka Desalination Co SAOC	11.4	0.4	-3	Utilities	MSX
28 Feb 2022	Scientific & Medical Equipment House LLC	83.2	13.9	25	Health care	Tadawul
2 Mar 2022	Al Jouf Healthy Water Bottling Co	5.8	9.3	83	Consumer staples	Tadawul (Nomu)
3 Mar 2022	Arabian International Healthcare Holding Co	110.7	21.9	-37	Health care	Tadawul (Nomu)
14 Mar 2022	Al Dawaa Medical Services Co Ltd	502.6	19.5	-8	Consumer staples	Tadawul
22 Mar 2022	Al Nahdi Medical Co	1,379.4	34.9	24	Consumer staples	Tadawul
29 Mar 2022	Al Masane Al Kobra Mining Co	336.8	16.8	24	Materials	Tadawul

*Share price performance measured by IPO price – 30 June 2022. Sources: Refinitiv Eikon, S&P Capital IQ.

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About this report

EY MENA IPO Eye report is released every quarter and looks at the IPO markets, trends and outlook for the MENA region.

The current report provides insights, facts and figures on the MENA IPO market during Q2 2022.

You will find this report on the [EY IPO website](#) and you can subscribe to receive it every quarter.

All values are in US\$ unless otherwise stated.



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