

MENA IPO Eye

Q2 2018

MENA IPO Eye

Q2 2018 review

Volume



Value



MENA

Nine deals

(includes four REITs)
(12.5% increase on Q2 2017)

US\$881.5m

(includes US\$553.0m from
REIT listings)
(42.8% increase on Q2 2017)

GCC

Seven deals

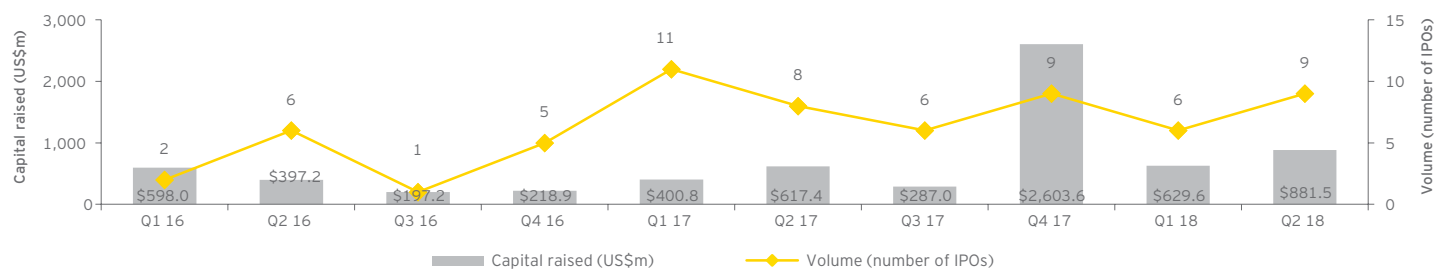
(includes three REITs)
(16.7% increase on Q2 2017)

US\$780.3m

(includes US\$509.0m from
REIT listings)
(46.3% increase on Q2 2017)

MENA IPO activity

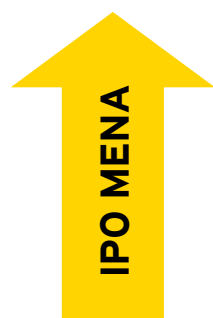
(Q1 2016 to Q2 2018*)



*As at 4 July 2018

Note: IPOs (including REIT listings) have been considered in each quarter, based on the subscription closing date. Companies are included (re Nomu) from the date the Nomu segment was established, 26 February 2017.

Key trends



- ▶ In the second quarter of 2018, the MENA region witnessed nine IPOs raising US\$881.5m, compared with six IPOs (including REIT listings) raising US\$629.6m in Q1 2018. The IPO of Mefic REIT Fund on the Saudi Stock Exchange, which raised US\$237.5m, was the biggest IPO in the quarter.
- ▶ Saudi Arabia led the IPO activity in the region, with an increasing trend of REITs being listed on the exchange, underlining investor interest in real estate assets in the country. This potential for the country's inclusion on the MSCI emerging markets is attracting investors from across the world. The country's Capital Market Authority (CMA) has brought in a mandatory corporate governance code, considerably relaxed rules for foreign investors, and raised settlement rules for the domestic Tadawul stock market toward global standards.
- ▶ The other GCC exchange that witnessed listings during the quarter was the Muscat Securities Market (MSM), with a single IPO raising US\$12.8m. The MSM has an IPO pipeline of around 10+ companies that are expected to complete the listings in the next two to three years.
- ▶ Risks and uncertainties in the quarter have caused a decline in IPO activity in the Global market for Q2 2018. IPO volumes and proceeds are both lower in Q2 2018, with 325 IPOs raising US\$45.0b, a decrease of 26% and 19% respectively, in comparison with Q2 2017. Strong equity markets, solid corporate earnings, and healthy pipelines across sectors and markets globally should drive an increase in listings in H2 2018, although the start to the second half of the year so far has shown a mixed picture in the equity markets and in corporate earnings.

Exchanges by capital raised – Q2 2018

Saudi SE	Saudi SE (Nomu)	Muscat SE	Egypt SE	Casablanca SE
US\$509m (three deals)	US\$8.7m (one deal)	US\$12.8m (one deal)	US\$57.2m (one deal)	US\$44.0m (one deal)




Cross-border listings

London SE	Oslo SE
US\$24.8m (one deal)	US\$225.0m (one deal)

Top three issuers – Q2 2018

Issuer (exchange)	Value (return (%))*
Mefic REIT Fund (Saudi SE)	US\$237.5m (NA)**
Shelf Drilling (Oslo SE)	US\$225.0m (-0.4%)
Bonyan REIT Fund (Saudi SE)	US\$175.9m (NA)**

Top three sectors by capital raised – Q2 2018

Sector	Value
 REIT	US\$553.0m (Four deals)
 Oil and gas	US\$225.0m (One deal)
 Financial services	US\$57.2m (One deal)

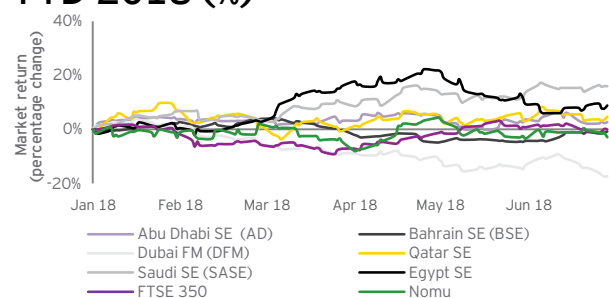
Note:

*Return is share price change from first trade date until 29 June 2018; **had not started trading as at 29 June 2018.

Source: Thomson Eikon, CapIQ and press.

SE: Stock Exchange

Regional stock market performance– YTD 2018 (%)



Note: Updated as at 28 June 2018
Source: CapIQ.

Exchange	Q2 2018 index return	Market cap (US\$b)
Saudi SE	15.0%	529.9
Qatar SE	5.5%	105.9
Abu Dhabi SE	3.6%	115.5
DFM	-16.5%	77.4
EGX	9.1%	27.6
BSE	-1.7%	20.7
FTSE 350	-0.8%	3377.7
Saudi SE (Nomu)	-3.3%	0.6

Note: Return updated as at 28 June 2018; market cap updated as at 28 June 2018
Source: Thomson Eikon

Oil price movement (Q2 2018)



Note: OPEC – Organization of the Petroleum Exporting Countries Updated up to 25 June 2018.
Source: OPEC and Energy Information Association (EIA).

Broader outlook

- MSCI stated it will begin including Saudi Arabia in their emerging market classification. The decisions will be effective from mid-2019.
- As of April 2018, Boursa Kuwait introduced three new indexes, Premier, Main and Auction Markets, in order to better measure the performance of the market. The aim is to attract investors and increase the number of IPOs.
- The Kuwait stock exchange is also expected to enter the FTSE Russell's emerging market index in two equal stages during September and December of 2018.
- The Egyptian Government's IPO program intends to list 23 public sector companies on the EGX, which is also in line with the 2018-19 proposed budget aims of the Government. The EGX is currently developing new mechanisms and tools to encourage companies to launch IPOs.
- Although oil prices have stabilized, MENA countries are still feeling the impact of the significant drop in oil prices in recent years. IPO activity was relatively slow in H1 2018, but activity is expected to pick up in H2 2018 owing to the strong IPO pipeline.

Source: CapIQ, Thomson Eikon and Press.

Summary of IPOs (Q3 2017 to Q2 2018)

Quarter	Issuer	Size (US\$m)	Sector	Exchange
Q2 2018 – 29 Jun	RA International Group Plc	24.8	Construction	London SE (AIM)
Q2 2018 – 21 Jun	Shelf Drilling	22.5	Oil and gas	Oslo SE
Q2 2018 – 3 Jun	Mefic REIT Fund	237.5	Real estate (REIT)	Saudi SE
Q2 2018 – 3 May	Bonyan REIT Fund	175.9	Real estate (REIT)	Saudi SE
Q2 2018 – 26 Apr	Immorent Invest S.A.	4.4	Real estate (REIT)	Casablanca SE
Q2 2018 – 24 Apr	CI Capital Holding Co SAE	57.2	Financial services	Egypt SE
Q2 2018 – 8 Apr	Swicorp Wabel REIT	95.6	Real estate (REIT)	Saudi SE
Q2 2018 – 8 Apr	National Building and Marketing Co.	8.7	Construction	Saudi SE (Nomu)
Q2 2018 – 2 Apr	Arabia Falcon Insurance Co.	12.8	Insurance	Muscat SE
Q1 2018 – 25 Mar	BPE Holding For Financial Investments	26.2	Financial services	Egypt SE
Q1 2018 – 6 Feb	SEDCO Capital REIT	173.3	Real estate (REIT)	Saudi SE
Q1 2018 – 29 Jan	AlNefae- Umm Alqura REIT	93.2	Real estate (REIT)	Saudi SE
Q1 2018 – 23 Jan	Jadwa REIT Saudi	126.4	Real estate (REIT)	Saudi SE
Q1 2018 – 14 Jan	Al Rajhi REIT	113.8	Real estate (REIT)	Saudi SE
Q1 2018 – 7 Jan	Derayah REIT	96.5	Real estate (REIT)	Saudi SE
Q4 2017 – 24 Dec	Al-Tawfeek Leasing Company – Egypt	7.1	Financial services	Egypt SE
Q4 2017 – 19 Dec	AlAhli REIT Fund 1	11.0	Real estate (REIT)	Saudi SE
Q4 2017 – 18 Dec	Muscat City Desalination	16.4	Power and utilities	Muscat SE
Q4 2017 – 7 Dec	Abu Dhabi National Oil Company for Distribution	850.9	Oil and gas	Abu Dhabi SE
Q4 2017 – 7 Dec	Ibnsina Pharma	87.6	Health care	Egypt SE
Q4 2017 – 20 Nov	National Life & General Insurance Company	55.1	Insurance	Muscat SE
Q4 2017 – 16 Nov	Emaar Development	1,313.4	Real estate	DFM
Q4 2017 – 5 Oct	Oman Qatar Insurance Company	10.4	Insurance	Muscat SE
Q3 2017 – 15 Sep	Mulkia Gulf Real Estate REIT	52.9	Real estate (REIT)	Saudi SE
Q3 2017 – 20 Aug	Zahrat Al Waha for Trading	61.2	Industrial manufacturing	Saudi SE
Q3 2017 – 7 Aug	Vision Insurance	10.4	Insurance	Muscat SE
Q3 2017 – 2 Aug	Al Ahlia Insurance Co	19.5	Insurance	Muscat SE
Q3 2017 – 25 Jul	Musharaka REIT	93.9	Real estate (REIT)	Saudi SE
Q3 2017 – 2 Jul	Al Maather REIT	49.1	Real estate (REIT)	Saudi SE

Note: SE – stock exchange.
Sources: CapIQ and Thomson Eikon.

Select IPOs in pipeline

Issuer	Country
Saudi Aramco	KSA
Saudi Stock Exchange (Tadawul)	KSA
Leejam Sports	KSA
National Company for Learning & Education	KSA
Mazaya Murabaha Fund	KSA
Ground Handling Logistics	KSA
Emirates Global Aluminium	UAE
Etihad REIT	UAE
Emirates District Cooling LLC	UAE
Global Education Management Systems	UAE
Nakheel PJSC	UAE
Engineering For The Petroleum & Process Industries	Egypt
Egyptian Ethylene and Derivatives Company (ETHYDCO)	Egypt
Damietta Container & Cargo Handling Co	Egypt
Misr Insurance	Egypt
Eastern Company	Egypt
Dhofar Generating Company SAOG	Oman
Oman Airports Management Co SAOC	Oman
Oman Oil Co	Oman
Qatar Exchange	Qatar
Qatar Aluminum (Qatalum)	Qatar
Az-Zour North Independent Water and Power Project	Kuwait
Kuwait Energy	Kuwait
Kuwait Stock Exchange	Kuwait

Sources: CapIQ and Thomson Eikon.

Contacts



Mayur Pau

Partner – EY MENA Growth Markets and Financial Services IPO Leader
mayur.pau@ae.ey.com
+971 4312 9446



Gregory Hughes

Partner – EY MENA Transaction Advisory Services – IPO Leader
gregory.hughes@ae.ey.com
+971 4701 1851



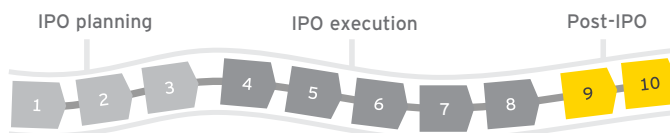
Darrell Traynor

Associate Partner – EY MENA Transaction Advisory Services
darrell.traynor@ae.ey.com
+971 4312 9446

Key events

Name of the event	Date	Theme
Mergermarket MENA Mergers 2019	April 2019	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.

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 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 reports, feasibility studies, valuation services, financial positions and prospects, MD&A section of prospectus drafting, comfort letters and project management services

EY has dedicated MENA IPO teams with experience in executing IPO services across key exchanges in MENA and international regions.

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

The MENA practice of EY has been operating in the region since 1923. For more than 90 years, we have grown to more than 6,000 people united across 21 offices and 16 countries, sharing the same values and an unwavering commitment to quality. As an organization, we continue to develop outstanding leaders who deliver exceptional services to our clients and who contribute to our communities. We are proud of our accomplishments over the years, reaffirming our position as the largest and most established professional services organization in the region.

© 2018 EYGM Limited.
All Rights Reserved.

EYG no. 010435-18Gbl
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice.

ey.com/mena