



Grant Thornton

# *Getting Ahead with Fresh Perspectives*

**M&A & Transactions Advisory**

The Resurgence of IPOs in the GCC

July 2022

# 2022: another buoyant year for GCC IPO markets?

Spurred on by government initiatives and the emergence from COVID-19, the GCC IPO markets are now seeing unprecedented levels of activity, captivating institutional and retail investors alike.

The GCC IPO markets have, over time, been seeing an uptick in activity levels largely driven by large government listings in a bid to boost liquidity. 2022 has continued in this direction. Driven by a strong rally in oil prices, high vaccination rates, higher consumer demand, and geopolitical tensions elsewhere in the world, the GCC has basked in its ability to attract investors as a stable, growing, and exciting market.

Having seen blockbuster IPOs from the likes of ADNOC Drilling, ACWA Power, Tadawul and Fertiglobe in 2021, 2022 is expected to outperform the previous year through the potential listing of multiple new entities in the UAE and Saudi Arabia.

## Stability in the midst of uncertainty

Whilst major markets struggle under the weight of high energy prices, high inflation, Russia-Ukraine geopolitical tensions, and supply chain disruptions, the GCC region has largely remained immune, demonstrating economic and political stability, and even benefiting from the increase in energy prices. Even SPACs, which have previously been quite the frenzy globally prior to experiencing a slowdown, have seen an uptick in the GCC with multiple large entities such as ADQ already setting up their first SPAC.

## Growing investment appetite

From the significant oversubscriptions of the recent IPOs such as DEWA (37x) Borouge (42x), Al Nadhi Medical (59x) and Tecom (21x), the growing investment appetite of GCC investors has led to a marked increase in participation in the regional and global exchanges. The emergence of zero-commission trading apps and competition-driven lower commissions charged by regional brokerages have played a pivotal role in driving the retail investor appetite for such IPOs as seen by the successful oversubscription of the retail tranches of Borouge (74x), Al Nadhi Medical (13x) and Tecom (40x), whereas such IPO investments were previously dominated by institutional and accredited investors.

## Embracing foreign investment

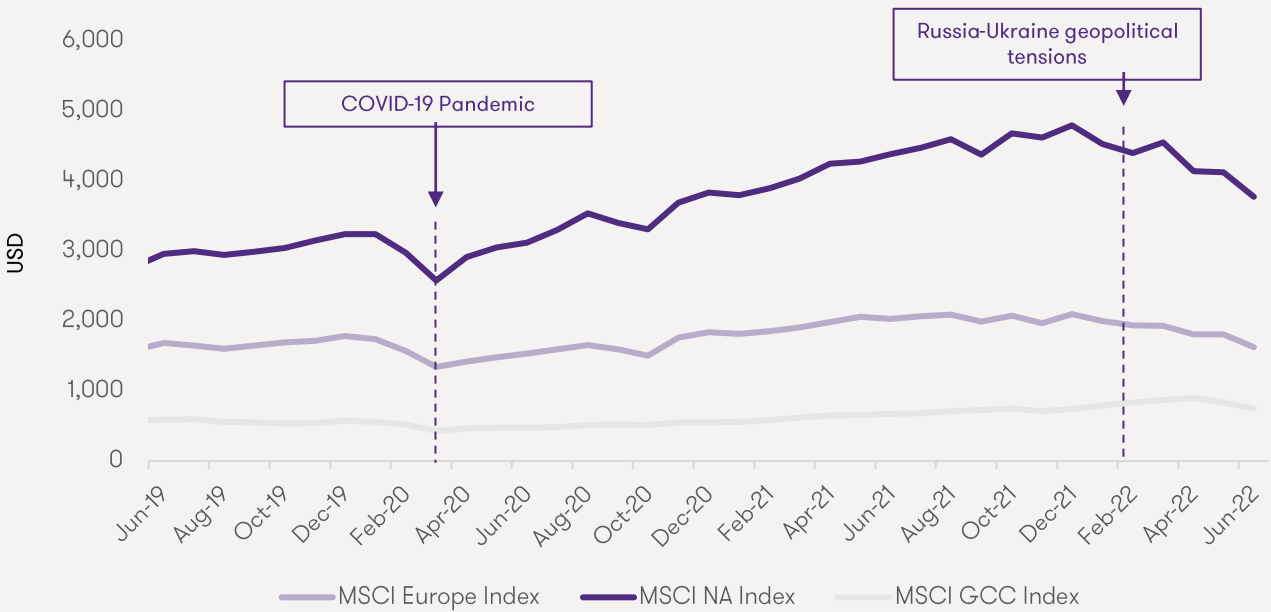
As the GCC continues its ascent to becoming one of the top hotspots for foreign investment, global firms have stepped up their interest in the region, such as Blackrock, Fidelity Investments and Vanguard Group who took part in the DEWA IPO while the India-based Adani family took part as a key cornerstone investor in the recent Borouge IPO. With local governments, notably UAE and Saudi Arabia, liberalizing investment regulations, such investments are only likely to grow, in conjunction with reforms in other areas, such as visas and community regulations.

## Family group listings – the next big thing?

Traditionally resistant to opening their books to outside investors, family groups, incentivized by governments, are now looking at IPOs as the next phase of their business to drive increased governance, business continuity, capital diversification, international expansion and family planning, as the recent listings of Almunajem Foods and Al Nadhi Medical have shown.

## These markets are just getting started, watch this space

With a plethora of factors to boost the market, optimism is high amongst investors in the region, and rightfully so. Whilst caution is always required in such situations, and recent times have seen share prices dip in certain cases following the IPO, the general belief is high that regional markets are now more ready than ever to demonstrate their commitment and capability to compete with some of the biggest markets around the world. A combination of healthy government reserves, higher oil prices, and robust foreign relations has meant that governments in the region have a variety of tools to mitigate any immediate risks.



## Fast Facts (CAGR 3Y)

14.2%

MSCI North America (NA) Index

4.6%

MSCI Europe Index

13.0%

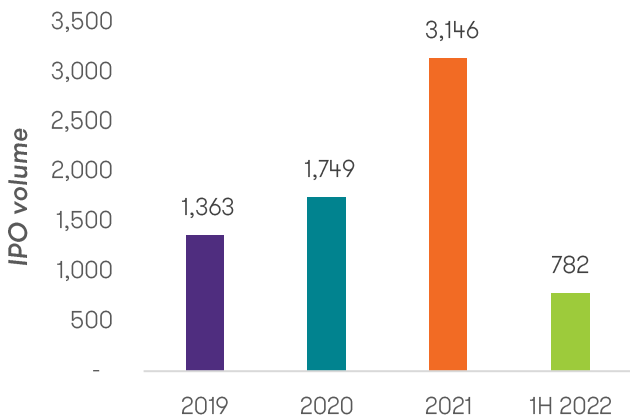
MSCI GCC Index

Source: Refinitiv Eikon, morningstar.com, zawya.com, Bloomberg, Khaleejtimes.com, nationalnews.com

# The Global IPO Overview

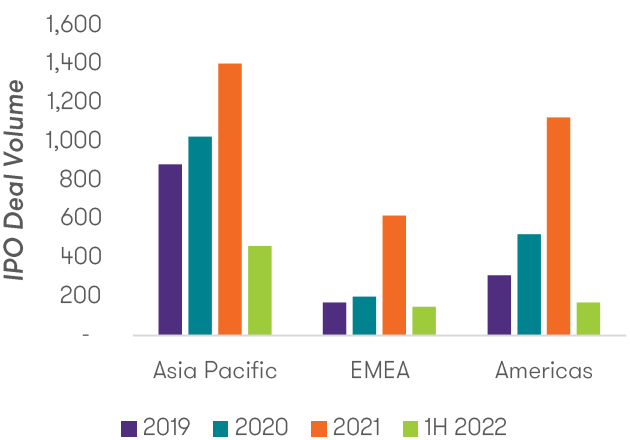
A surge in global IPOs activity fueled by the pent-up demand stemming from the pandemic-hit 2020 coupled with a growing trend of SPAC debuts resulted in a record year for new listings in 2021.

## Global IPOs, 2019 - 1H 2022



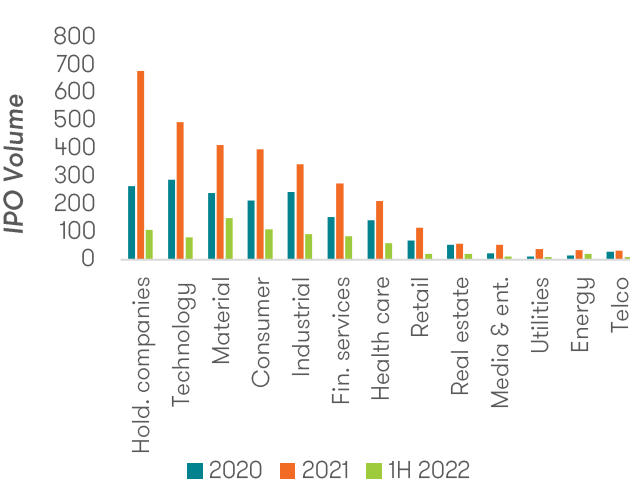
- **80% year-on-year growth in IPOs** saw 3,146 new listings raising a total of \$388billion in 2021.
- Growth in capital market activities was spurred by the recovery from Covid-19 and the increased SPACs and Tech company listings.
- However, a lackluster growth in IPOs activity was seen in 1H 2022 due to prevailing volatile market conditions.

## Global IPOs by region , 2019 - 1H 2022



- **An Increase in IPOs was experienced across the globe**, with EMEA recording a staggering 211% year-on-year growth in new listings in 2021.
- Asia Pacific dominated with a contribution of 44% to the volume of global IPOs in 2021, followed by Americas and EMEA with 36% and 20%, respectively.

## Global IPOs by sector, 2020 - 1H 2022



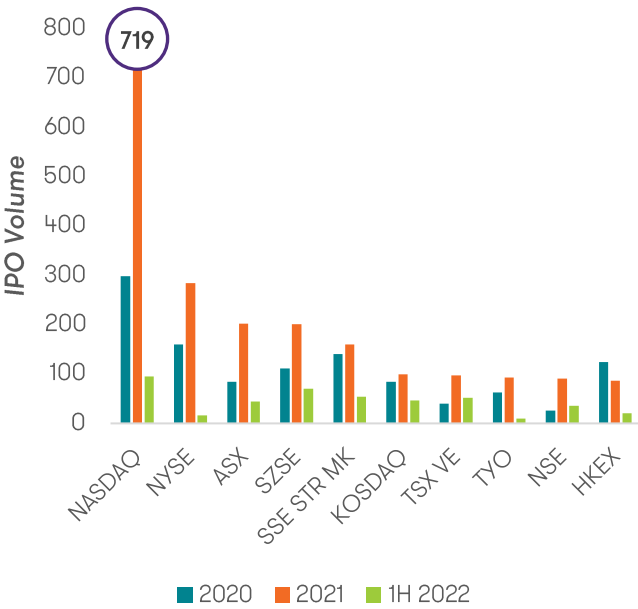
- **158% year-on-year growth in investment holding company debuts in 2021**, dominated by SPACs with 680 new listings - demonstrating new trend of listing via SPACs.
- Newly listed public companies in the tech sector were a multiple of mobile apps, websites, and online services - with Coinbase (A crypto currency exchange platform) topping the list with an IPO valuation of \$100 billion.

Source: Refinitiv Eikon, morningstar.com, zawya.com, Bloomberg

# The Global IPO Overview

Global capital markets activity in 1H 2022 was challenged by weakened economic fundamentals, fluctuating commodity prices and uncertainties caused by prevailing geo-political situation.

## Global IPOs by exchange, 2020 - 1H 2022



- **NASDAQ remained the most preferred platform for new listings in 2021**, mainly due to attractive listing requirements and enhanced liquidity offered.
- In terms of regional performance, NASDAQ led listings in North America and Europe whilst Shenzhen Stock Exchange, Bolsa De Valores De Sao Paulo and Tadawul lead new listings in Asia Pacific, South/ Latin America and Middle East, respectively.



## Global IPO Activity Outlook for 2022 and Beyond

- Global IPO activity in 1H 2022 remained subdued with only 782 new listings on the back of prevailing global market volatility caused by several macroeconomic factors such as:
  - Rising inflation
  - Higher interest rates
  - Energy price volatility
  - Supply disruptions
  - Geopolitical tensions, mainly in the European region.
- As per the IMF, the global growth is expected to moderate from 5.9% in 2021 to 4.4% in 2022, largely reflecting forecast markdowns in the two largest economies.
- A slow-down in global growth rates may have a potentially adverse impact on the capital markets, thereby weakening global IPOs activity as well.

Source: Refinitiv Eikon, money.usnews.com , forbes.com, zawya.com, imf.org



- However, there are a few big-ticket IPOs that are expected to debut in the markets shedding some light on prospects in global IPOs activity. Some of these IPOs are as follows:
  - **Stripe** - Stripe Inc. is a financial services company that provides online payment processing for businesses. Stripe is expected to go public in 2022, through a direct listing as opposed to a traditional IPO.
  - **Chime** - Chime is a San Francisco-based fintech that offers fee-free mobile banking services. Chime expect to go public in the second of 2022, with last quarter seeming like the most likely option.
  - **Reddit** - Reddit is an online social media discussion board and community platform. Reddit is expected to public 2022, having filed preliminary IPO statements with the SEC and engaging with Morgan Stanley and Goldman Sachs for guidance on the same.
- **Instacart** - Instacart is a US-based grocery delivery and pick-up company, enabling customers to order from participating retailers through its website and mobile app, and receive their goods via personal shoppers. Instacart plans to go public in 2022, having filed with the SEC on May 11<sup>th</sup>.
- Although, IPO activity in the global market is yet to pick up there has been an exponential growth in IPO activity in the GCC region in Q1 2022 fueled by the swift economic recovery post-Covid 19, government-led capital market initiatives and increased participation of investors in capital markets.

Source: Refinitiv Eikon, money.usnews.com , forbes.com, zawya.com, imf.org

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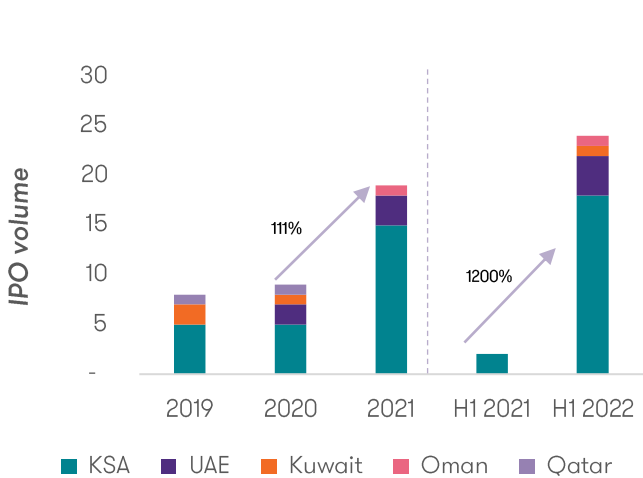
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# The GCC Regional IPO Overview

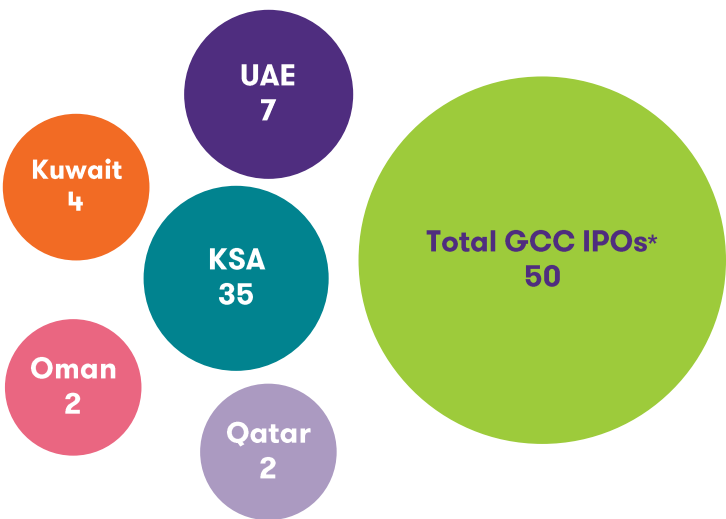
Strong regional economies, evolving capital market dynamics and government-led capital market initiatives are expected to continue to drive the GCC region’s IPOs surge during 2022 and beyond

## Regional IPOs, 2019 - 1H 2022



- Driven by strong investor sentiment, the GCC region saw strong growth in the IPOs space in 2021, clocking in 19 new listings representing a growth of 111% from pre-pandemic levels.
- The cumulative proceeds from GCC issuers have seen a five-fold leap in 2021, reaching \$7.52 billion, up from a total of \$1.64 billion in 2020.
- Amid continuing strong consumer sentiment, and a plethora of government initiatives, 1H 2022 has already seen 24 new listings in the region when compared to a total of 19 in 2021, paving the way for a potentially record-breaking year.

## IPOs by Country, 2019 - 1Q 2022



- KSA has been leading the new listings activity in the region with 37 IPOs since 2019.
- In 2021, KSA had a record year for IPOs with 15 new listings, accounting for 60% of the new issuances in the region across its main and secondary markets.
- In 2021, the UAE and Oman came in second and third place with 3 and 1 new listings during the year, respectively.

\*Above IPO numbers reflect Q1 2022, and as of the date of this article there were 43 IPOs in KSA, 9 IPOs in the UAE and 1 IPO in Kuwait, bringing a total of 60 IPOs since 2019.

Source: Refinitiv Eikon, zawya.com, thenationalnews.com

# The GCC Regional IPO Overview



The recent growth seen in new listings in the GCC region was fueled by:

- Strengthening regional economies stimulated further capital market activities.
- Listing of state-owned entities has instilled investor confidence, both retail and institutional.
- Government initiatives have encouraged more listings of local companies and improved market liquidity.
- Increased international and local investor participation driven by recent IPO success.
- Notable growth seen in retail participation in recent IPOs.











Notable improvements seen in GCC companies choosing their local exchanges for new listings

- Out of the total IPOs carried out since 2019, 98% were floated in regional stock exchanges, whilst only 2% have chosen to go to an overseas exchange.
- It is noteworthy to highlight 100% of the IPOs since 2021 have selected their respective regional stock exchanges to float, showing increased confidence in the liquidity of these markets.

**2021 saw a few standout IPOs, but the frenzy has only begun as 2022 is expected to be another significant year for new listings across the UAE, KSA and the broader GCC**

Spotlight of key successful recent regional IPOs and investor appetite

Country	Date	Exchange	Issuer	IPO Size	Oversubscription	ROE*
	January 2022	Tadawul	Jahez Group	\$432 million	<b>38x</b>	6.9%
	February 2022	MSX	Barka Desalination	\$10.8 million	<b>5x</b>	1.4%
	March 2022	Tadawul	Nahdi Medical Company	\$1.2 billion	<b>59x</b>	22.9%
	April 2022	DFM	DEWA	\$6.1 billion	<b>37x</b>	1.6%
	May 2022	ADX	Borouge LLC	\$2 billion	<b>42x</b>	19.6%
	May 2022	Boursa Kuwait	Ali Alghanim	\$322 million	<b>11x</b>	5.4%
	June 2022	Tadawul	Retal Urban Development	\$384 million	<b>8.8x</b>	2.5%
	July 2022	DFM	TECOM	\$463 million	<b>21x</b>	NA

\* ROEs were calculated as at 30 June 2022, based on price appreciations and dividends declared since the IPO date: not on annualized basis.

It is noteworthy to highlight the importance of attractive dividend yields offered by new issuers and the potential value creation for shareholders via uses of IPO proceeds to ensure successful subscriptions of IPOs. As an example, the estimated dividend yields of 5% for DEWA and 6.5% for Borouge LLC, and their proposed growth plans at the time of the issuances helped to stimulate both international and local investor interests enabling successful closure of these IPOs.

Source: Refinitiv Eikon, zawya.com, thenationalnews.com



# The GCC Regional IPO Overview



## Highlights of Key IPOs in the Region

### TECOM

- Dubai's TECOM is the second government owned entity to IPO followed by DEWA, raising USD 463 million in exchange for 12.5% share offering.
- The IPO saw strong demand from retail and institutional investors, with retail subscription of nearly 40 times, making it the highest multiple for any traded entity on the DFM.

### DEWA

- First in line of 10 government IPOs, DEWA kicked off the list with an 18% share offering, becoming the second-largest offering in the region.
- The IPO saw strong demand from both local and international investors, where 30% of the allocation went to international investors like Blackrock, Fidelity & Vanguard Group.

### Nahdi Medical Company IPO

- Saudi-based Nahdi Medical Company went public with a 30% share offering.
- The IPO saw an offering from over a million retail investors subscribing to invest \$1.83billion. The retail offering was oversubscribed by 13 times.
- The retail offering followed the institutional offering which was oversubscribed 59 times, making it one of the largest private sector IPOs in the region.



## Positive outlook in the GCC region for IPOs in 2022 and beyond

- Improving investor confidence, government-led capital market initiatives and improved market liquidity are expected to fuel the boom in IPO activity in 2022.
- While abundant liquidity in the domestic markets is supporting the demand for IPOs across GCC, rising demand from foreign investors are driving up IPO demand and stock valuations. And while recent market price dips post IPO may be a cause to concern to some in the short run, we believe there to be significant opportunities for growth as the overall outlook remains positive for investors in the region.
- Regulators in the region are also considering to allow **blank check companies (SPACs)** and set up **market maker funds** to improve liquidity and attractiveness in the regional stock markets.

## Pipeline of new listings UAE:



Saudi Arabia's stock exchange reportedly has 50 applications for IPOs in 2022.



Dubai announced their plans to list 10 government and state-owned companies in 2022.



Abu Dhabi Securities Exchange is expected to list 13 more listings in 2022.



Dubai government to establish Salik, a road toll operator, as a public joint stock company as a step forward to its journey to IPO.



PIF and Mohamed Alabbar backed Americana Group is contemplating a dual listing on the ADX and Tadawul exchanges.

Source: [zawya.com](https://www.zawya.com), [thenationalnews.com](https://www.thenationalnews.com), [dewa.gov](https://www.dewa.gov), [gulfbusiness.com](https://www.gulfbusiness.com), [khaleejtimes.com](https://www.khaleejtimes.com), [gulftoday.ae](https://www.gulftoday.ae)

# Private sector and growth companies to be next in line for IPOs?

The recent growth witnessed in the regional capital markets activity to encourage further listings of private businesses which is pivotal in developing a resilient market in the region.



## Increasing interest from family groups

Large family groups and conglomerates in the region have traditionally been resistant to going public and opening their books to outside investors.

However, this trend has started to change with many family groups across the region now lining up or considering IPOs, as the benefits of increased governance, business continuity, capital diversification as well as planning for future generations of the family to run the business. Such listings can also provide a source to raise capital through the issuance of different share classes so that they may retain control of the business through super-voting shares or greater weighted shares.

Almunajem and Nadhi Medical Company in Saudi Arabia are examples, that went public recently on the Tadawul raising USD 300 million and 1.2 billion respectively.



## A potential increase in dual listings within the region

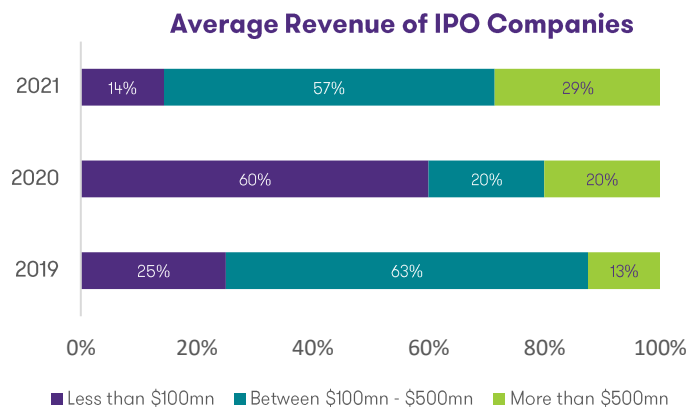
The relaxation of rules in relation to dual listings in the GCC region has encouraged local entities to opt for secondary listings within the regional markets rather than approaching international markets, which were the norm previously. GFH Financial Group’s latest listing on the ADX, alongside its prior listings on the DFM, BHSE & KSE, have increased the total number of dual-listed companies on the ADX to four.

Other companies, such as Americana, are looking to complete dual listings exclusively in the GCC markets.

These trends serve to highlight the GCC’s emergence as a prominent provider of liquidity, making it an attractive market for foreign and local companies looking to list.



## Growth and mid-sized businesses led the IPO activities in the Region during 2019 - 2021

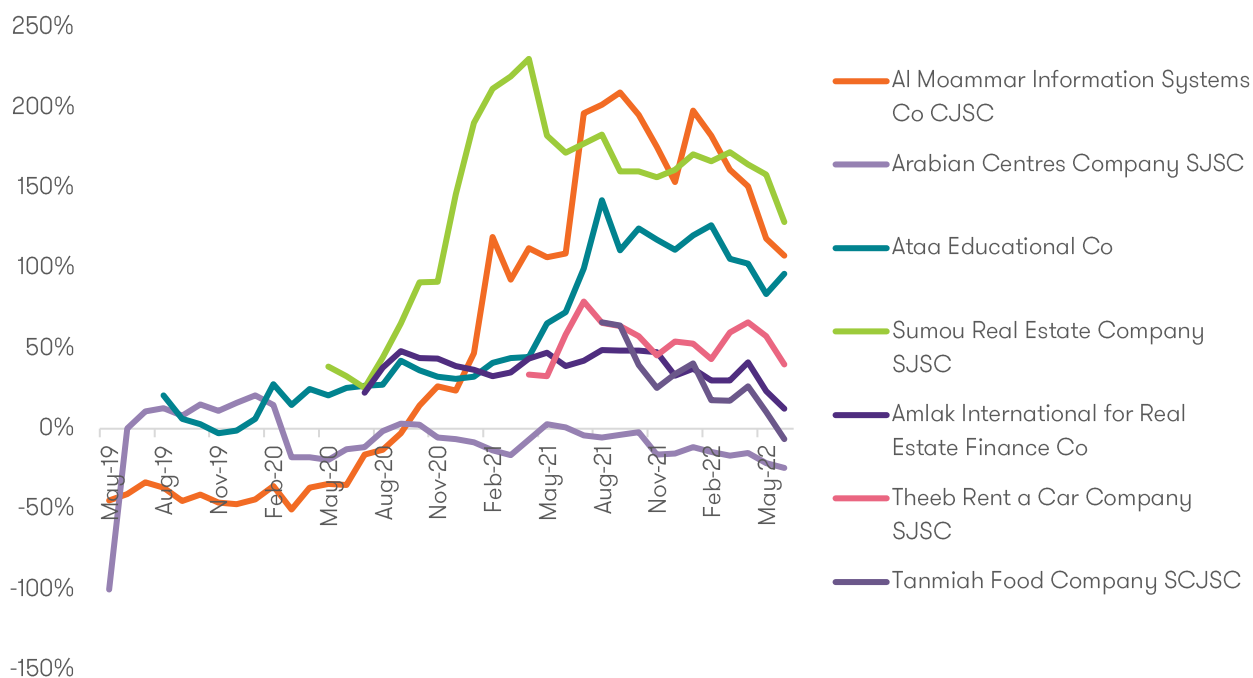


- Over the last three years, an average of c.80% of the companies floated in the GCC region generated average annual revenues of less than \$500 million.
- In terms of the volume of new listings, the market was led by growth and mid-sized businesses.
- However, 2021 saw a slight shift in the trend with governments pushing mega IPOs. As a result, growth and mid-sized businesses represented a slightly reduced 71% of new listings in 2021.



## Share price movements of selected growth and mid-sized companies

The chart below shows the monthly share price movements of the selected companies from their IPO price. The sample covers IPO companies since 2019 with annual revenue range \$35-550 million.



Share prices sourced from Eikon. Companies are indicative and do not represent the entire universe of IPO companies in the GCC.

- As seen from the chart above, out of the seven companies we have selected in our sample, six companies have recorded positive share price returns since the IPO date - representing an average of 50.60%.
- However, share price movements post-IPO are attributable to both company level and the general market performance, as represented by the volatility in share price movements over the last few months.
- A notable improvement in terms of the IPOs subscription was seen since 2019, as reflected by the oversubscription percentages.

Source: Refinitiv eikon

# Conducive environment for capital markets

The UAE government has taken key initiatives to encourage growth & mid-sized companies to raise funds via IPOs, boost post-IPO market liquidity and attract participation from retail and institutional investors.

**Launch of a Market Making fund**

The Securities and Exchange Higher Committee approved the establishment of a market making fund worth up to AED2billion (\$545 million) to increase liquidity in the markets.

**Abu Dhabi IPO fund**

Abu Dhabi launched an AED 5 billion (\$1.3 billion) IPO fund in October 2021, to invest in 5 - 10 private companies a year, to help private companies grow and support them through the IPO process by providing liquidity and by promoting equity research.

**The UAE approved SPAC listing framework, becoming the first country in the Gulf region, to encourage new listings.**

The move came amidst global slowdown in SPAC listings, in an effort to diversify its economy by attracting new investments especially global investors seeking emerging opportunities in the UAE. On this note, the UAE’s first SPAC (ADC Acquisition Corporation) launched its IPO in May 2022 raising AED367 million to acquire fast-growing technology-driven businesses.

**Listing of cooperative societies**

The UAE has now permitted cooperative societies in the country to list shares locally as part of plans to deepen its capital markets. The growth in local financial markets is long due, and the government is exploring several options to attract more retail investors.

**Developments seen in dual listings in the regional exchanges to access capital and improve liquidity**

Bahrain based investment bank GFH Financial Group, which is currently listed in Bahrain, Dubai and Kuwait, is now listed on the ADX, and plans to list its shared on Tadawul.

**Emirates NBD takes a lead role in supporting new IPOs**

Emirates NBD had taken the lead in supporting upcoming IPOs on the DFM with the launch of an end-to-end IPO subscription website for individual investors, The bank’s IPO platform has built-in real-time subscription payment capabilities for UAE investors and wire transfer capabilities for non-UAE investors.

**Dubai’s commitment to encourage tech company IPOs**

Dubai has launched an AED 1 billion (\$272.3 million) fund to support tech companies to list on the stock market. The fund is expected to help to establish 1,000 digital companies in the emirate in the next five years.

**DFM to encourage retail participation in oil industry**

The DFM has entered into a deal with the Dubai Mercantile Exchange to jointly create financial products, chief amongst them is the ability to allow retail investors to tap into the GCC oil industry. The Dubai bourse aims to target retail investors and provide opportunities to invest their money into products such as the Oman Crude Oil Futures, a benchmark that trades on DME and is used by many Gulf producers to price their oil.

Source: [zawya.com](https://www.zawya.com), [thenationalnews.com](https://www.thenationalnews.com), [dewa.gov](https://www.dewa.gov), [gulfbusiness.com](https://www.gulfbusiness.com), [khaleejtimes.com](https://www.khaleejtimes.com), [emiratesnbd.com](https://www.emiratesnbd.com), [cnbc.com](https://www.cnbc.com), [wam.ae](https://www.wam.ae), [argaam.com](https://www.argaam.com)



# The right environment to go public?

## The Grant Thornton view

Amidst global uncertainty, and the resulting slowdown in global markets, the GCC region has continued ahead with full steam and is gaining traction as the hot spot for new listings. The successful conclusion of large-ticket IPOs over the last few months has directed international investor attention to the GCC which is expected to play a pivotal role in the success of future IPOs and enhance market liquidity.

To add to this, regional governments have begun implementing a plethora of new initiatives across the financial markets to encourage new listings from local players, both large conglomerates and SMEs, and to attract local and international, retail and institutional investors to invest in their capital markets. By also implementing policies to drive listings of major state-owned businesses, the local governments are also continuing to demonstrate their commitment to the expansion of local markets, boosting liquidity, and drawing in a large number of investors to entice further listings in the region.

Regulatory reforms around areas such as increased foreign ownership, listing of SPACs, and allowing dual listings, along with the emergence of investor-friendly investment platforms and regulations are expected to drive the growth momentum within the GCC's capital markets in the future.

Attractive dividend yields and potential value creation for shareholders have played a pivotal role in the successes of recent IPOs, highlighting key metrics that are expected from upcoming issuers to maintain the growth momentum in IPOs activity. And while recent performance on some listings has seen a slight dip due to global supply shocks, we believe that the overall outlook remains bright for the region.

*These rapidly evolving market dynamics and regulatory regimes, coupled with macro-economic pressures and improving investor sentiment are now positioning the GCC region as the new hot spot for IPOs.*

Our M&A and Transactions Advisory team actively originates and executes transactions across a range of sectors. Some of the current, as well as recently completed transactions, include businesses in logistics, technology, real estate, food & beverage, healthcare, education, financial services and energy sectors.

Our global footprint enables us to leverage our relationships within the region as well as internationally with the ability to advise on all aspects of a transaction from start to finish including buyer/seller identification, deal negotiations, IPO/ Capital Market Advisory, valuations, due diligence, financial modelling, debt advisory, SPA advisory and fundraising (equity/debt).

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