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# Mideast IPO market heaves sigh of relief in Q1

By Nadine Sharrouf of Zawya

The region has long been thirsty for a surge in capital inflows to help stimulate a sluggish IPO market. This craving was met when **Asiacell Communications** made the Middle East's largest flotation since the pre-economic-crisis heyday.

In January 2013, Iraq opened its doors to local and foreign investors aiming to sell 25% of its telecom company's shares to the public – a move that courted speculation about investors' sentiment and the Iraq Stock Exchange's (ISX) ability to absorb the sudden burst of activity.

The subscription process, however, proved to be smooth and successful with the offer almost fully subscribed long before its closing date. The Asiacell IPO, which was managed by Rabee Securities, was able to raise around USD 1.3 billion, the largest in Iraq's IPO history since 2003.

But the Middle East IPO story does not end there. Saudi Arabia, the region's economic stalwart, ended 2012 with Dallah Healthcare going public. The kingdom also made a productive start in 2013 with the IPO of **Northern Region Cement Company**, raising around USD 240 million in capital after it was over 300% oversubscribed, as reported by lead manager Arab National Investment Company.

Saudi continued to be in the spotlight during the month on February, with the healthcare sector contributing USD 97 million from the IPO of **National Medical Care Company**, managed by Riyadh Capital. The IPO saw huge demand and was seven times oversubscribed.

Both Saudi companies saw high returns on their IPO (issue) price, with NRCC having a 200% change in price at the end of the first day of floating, while NMCC saw a 350% change. The issues can prove to be a positive indicator for other companies looking to sell their shares to the public market.

The first quarter of 2013 tracked last year's trend with a greater amount of capital raised in comparison with the number of issues. The amount raised from the three IPOs mentioned previously totaled USD 1.6 billion, a dramatic increase from the first quarter of 2012, when three IPOs were also issued, but generated a measly capital of USD 80 million.

## Rights issues in Q1

Raising capital through equity issues does not stop at IPOs in the MENA region. Companies that have already listed their shares are also active in increasing their capital base by issuing new shares in the secondary market. Despite some markets being absent from the IPO scene, their listed companies remained active by offering rights to the shareholders.

In total, Q1 2013 witnessed 10 rights issues that managed to raise USD 1.5 billion, not a far cry from the capital generated by IPOs during the same period. Out of the 10 issues, Qatar and Kuwait accounted for the majority (three each) while Oman and UAE had two issues each and Egypt had one.

The largest issue came from **Doha Bank**, which closed on March 13 and raised USD 425 million from its shareholders. Dubai-based **Emirates Islamic Bank** was not far behind with USD 408 million after closing the subscription on February 3. Nine of these offers have closed their doors for subscription, while Kuwait's **Ektitab Holding Company** is still open until mid-April.

Many of the companies selling additional shares have indicated their plan to allocate part of the proceeds to strengthening their capital base, expanding vertically and horizontally and executing their future plans. In retrospect, this activity shows a healthy outlook for markets, traded equity and investments.

## IPO pipeline in 2013

With minimal activity in the past couple of years, the region is still waiting for a rush of IPOs that could perhaps mimic the glory years from 2006 to 2008. The recent issues, however, underline investors' growing IPO appetite despite the relatively uncertain market conditions.

As always, we can look to Saudi Arabia to be the market's savior amid speculations of two more IPOs to be launched in the coming months. A UAE comeback is also a welcome treat for flotation-hungry investors, with companies such as **DAMAC Properties** already revealing plans to enter the public market.

Qatar, Oman and Tunisia might also be among the issuing countries this year, while the pending IPO of Iraqi telecom companies **Zain Iraq** and **Korek Telecom** are expected to turn the tables in terms of the value of capital raised, if it follows the footsteps of Asiacell.

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