

A person in silhouette stands on a rocky ledge, looking out at a large, cascading waterfall. The scene is set in a dark cave with blue and white lighting, creating a dramatic and somewhat ethereal atmosphere. The waterfall is the central focus, with water spraying and creating mist. The cave walls are rugged and textured.

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**MENA IPO Eye: Q4 2020**  
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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 2020. 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

A promising start in 2020 for MENA IPOs turned into an abrupt standstill due to the COVID-19 pandemic, with subdued activity until the end of the year.



“

Overall, **MENA IPO** activity remained relatively quiet in 2020 resulting in only nine IPOs, with Saudi Arabia continuing to play a key role in new listings. Several regulators, particularly in the UAE and KSA, announced positive regulatory changes during the year that bode well for future and existing public companies. As we start 2021, there are many reasons for renewed optimism, and we have seen a strong IPO pipeline in key MENA markets and expect activity to pick up gradually during the course of the new year. We have also seen some interest in mergers with the US listed special purpose acquisition companies (SPACs) in recent months, following some limited activity in this area in the last two years from the region.

**Gregory Hughes**  
EY MENA IPO Leader



# MENA IPO market

# 1



# MENA IPO market summary

## Key highlights

- ▶ MENA IPO markets finished the year with nine IPOs, with total proceeds of US\$1.86b, down by 94% compared with 2019, the year which saw the world's largest IPO when Saudi Aramco listed on the Tadawul. Out of the nine issuances, six were in the real estate sector, out of which two were real estate investment trust (REITs), with the remaining in the health care, consumer staples and insurance sectors.
- ▶ Tadawul once again became MENA's top listing venue for the year with four listings totaling US\$1.45b, which represented 78% of the total amount raised by MENA IPO candidates in 2020.
- ▶ IPO issuances continued to have a muted year which started off with four IPOs in Q1 2020, followed by the absence of any issuances in Q2 2020, while Q3 2020 passed with only one listing. As expected, activity picked up in Q4 2020. However, the number of issuances and depth of the market did not witness the coming to market of numerous IPOs that were placed on hold due to the pandemic and subsequent economic hit to the MENA economies.
- ▶ In Q4 2020, four MENA IPOs raised US\$925m in total, down by 33% compared with Q4 2019 issuances and down by 97% compared with proceeds. It was the strongest quarter for IPOs in 2020 based on proceeds, primarily due to the listing of BinDawood Holding (US\$584m), which was the second largest listing of the year after Dr. Sulaiman Al-Habib Medical Services Group Company (US\$701m) listed in Q1 2020. Both listings were on Tadawul's main market.
- ▶ Q4 2020 also saw IPOs in three MENA markets that have been relatively quiet in the past years. In Dubai, the DFM had their first REIT listing and the first IPO in three years with Al Mal Capital REIT raising<sup>1</sup> US\$95.3m. In Qatar, QLM Life & Medical Insurance Company raised<sup>2</sup> US\$179.6m, and was the first IPO on the Qatar Stock Exchange (QSE) since Q4 2019. In Morocco, the first IPO since Q4 2018 was of Aradei Capital SA for real estate, which raised US\$65.9m in Q4 2020 with its listing on the Casablanca SE.
- ▶ Other listings for 2020 included the newly introduced direct listings on Nomu, which saw Saudi White Cement list in Q3 2020 while two other companies<sup>3</sup> received CMA application approvals in Q4 2020. In the UAE, Saweed Holding, Easy Lease, Palm Sports and Zee Stores were listed on the ADX second market – a platform for the trading of shares of private joint-stock companies – during Q4 2020.

Notes: <sup>1</sup>Listed on the DFM on 18 Jan 2021 <sup>2</sup>Listed on the QSE on 13 Jan 2021.

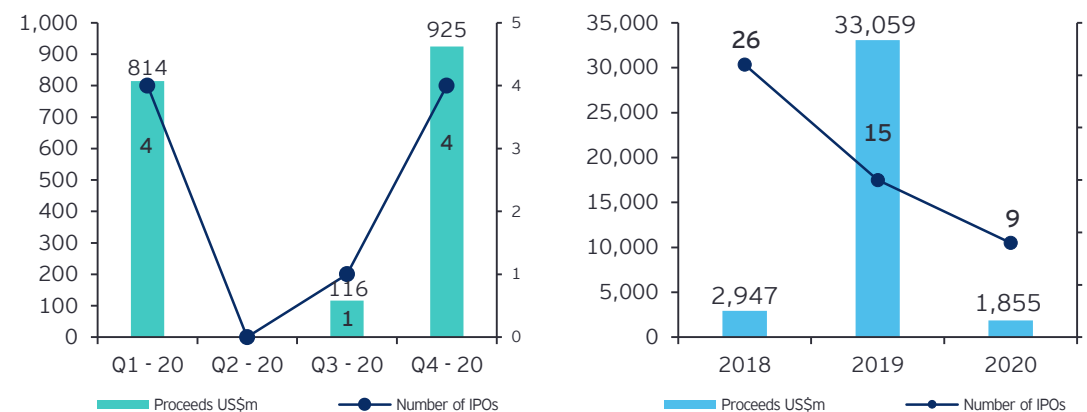
<sup>3</sup>Watani Iron Steel Company and Mohammed Hasan Al Naqool Sons Company

## MENA IPO overview

2020	Change Y-O-Y	Top listing venue 2020	Q4 2020	Change Q-O-Q
9 IPOs US\$1.86b proceeds	-40% IPOs -94% proceeds	(Tadawul) 4 IPOs \$1.45b proceeds	4 IPOs \$925m proceeds	-33% IPOs -97% proceeds

Notes: Change Y-O-Y reflects 2019 vs. 2020 – Change Q-O-Q reflects Q4 2019 vs. Q4 2020

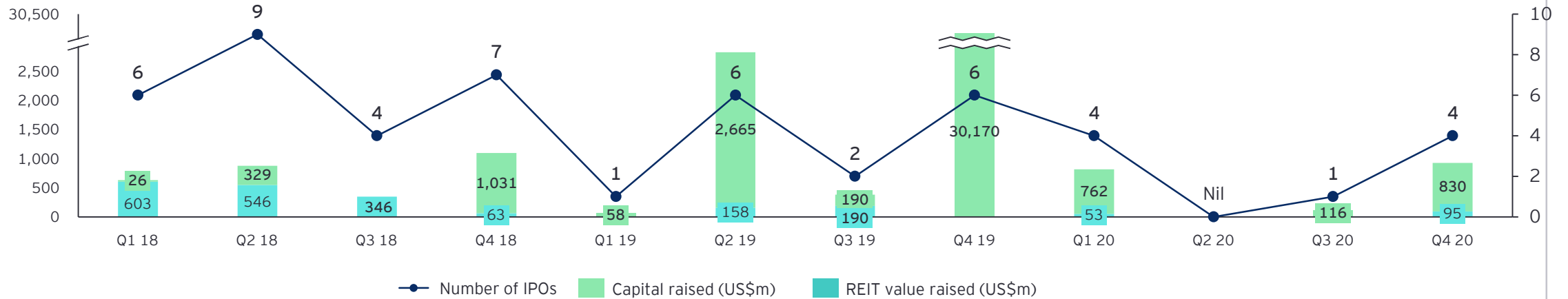
## MENA IPO activity



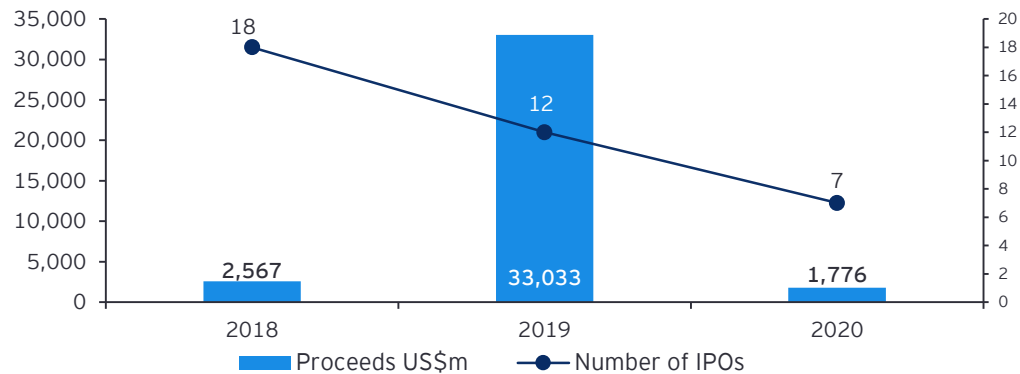
Source: Refinitiv Eikon, S&P Capital IQ

# MENA IPO market summary (contd)

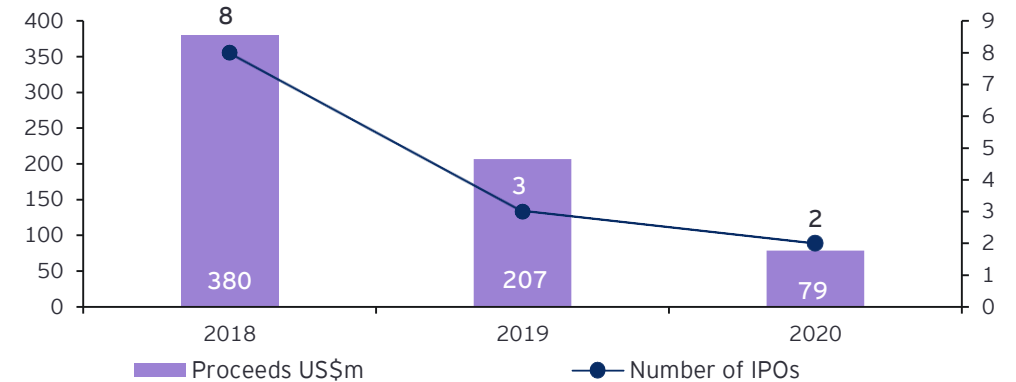
## MENA IPO activity (2018-20)



## GCC IPOs



## Non-GCC IPOs



Notes: IPOs including REIT listings, have been considered in each quarter, based on the subscription closing date. Source: Refinitiv Eikon, S&P Capital IQ.



# MENA equity markets

## Key highlights

- ▶ The drop in economic growth and disruption across various industries, caused by the COVID-19 pandemic as well as the decline in demand for oil, and subsequent reduction in oil prices, had a significant impact on MENA stock performances in 2020.
- ▶ Equity markets in the MENA region experienced high volatility and average daily trading values increased significantly across the main exchanges, with the ADX seeing an increase of around 28%, QSE around 50% and the Tadawul seeing its trading increase by 137% as compared with 2019. The EGX saw its trading values increase by 73%, Kuwait by 40.6% while Oman saw a drop of 39.4% in trading values for 2020.
- ▶ Despite a drop of nearly 30% earlier in 2020, Tadawul recovered to end 2020 with a positive index return of 3.6% which was aided by the recovery in crude oil prices. The EGX declined the most of the observed indices, having lost 22.3%. The QSE and ADX both ended the year relatively flat while the DFM and Boursa Kuwait indices both fell by 10% and 13% respectively during the same period.
- ▶ Valuations continued to vary across the MENA market with stocks trading at either steep discounts or premiums, largely depending on which market they are being traded on. In Saudi Arabia, excess liquidity coupled with suppressed earnings during the COVID-19 pandemic, further caused a steep increase in index P/E ratios with the Tadawul reaching all time high valuation multiples during Q4 2020.



## MENA exchanges key data

Selected MENA indices	FY20 index return	Exchange market cap (US\$b)	Index PE ratio*
MSCI Emerging Markets (EM) Index	15.85%		21.7
Tadawul All Share Index (TASI)	3.60%	2427.2	20.1
Qatar Exchange General Index	0.10%	165.4	16.7
Abu Dhabi Securities Market General Index	-0.60%	202.2	14.7
Dubai Financial Market General Index (DFMGI)	-9.90%	91.9	9.1
Bahrain All Share Index (BSEX)	-7.50%	24.6	9.1
EGX 30 Index	-22.30%	41.4	8.1
Boursa Kuwait Premier Market Index	-13.30%	78.3	20.7
MSM General Index	-8.10%	28.1	9.2

All data 31 December 2020 \*The Price Earnings ratio of the index as calculated by Refinitiv and based on trailing P/E ratio.  
Source: Refinitiv Eikon, S&P Capital IQ, stock exchange disclosures

# MENA equity markets (contd)

## MENA IPO pricing and performance

Dr. Sulaiman Al-Habib Medical Services Group Company Health care	First-day return <b>+10%^</b> <b>Q1</b>	Tadawul	Share price performance 2020 <b>+118%</b>	Aman REIF Real Estate (REIT)	First-day return <b>+1.9%</b> <b>Q1</b>	MSM	Share price performance 2020 <b>-2.9%</b>
BinDawood Holding Consumer Staples	First-day return <b>+10%^</b> <b>Q4</b>	Tadawul	Share price performance 2020 <b>+24%</b>	Aradei Capital Real Estate	First-day return <b>+1.3%</b> <b>Q4</b>	Casablanca SE	Share price performance 2020 <b>0%</b>
Amlak International for Real Estate Finance Real Estate	First-day return <b>+10%^</b> <b>Q3</b>	Tadawul	Share price performance 2020 <b>+37%</b>	Al Mal Capital REIT Real Estate (REIT)	First-day return <b>0%</b> <b>Q4</b>	DFM	Share price performance 2020 <b>N/A</b>
Sumou Real Estate Co. Real Estate	First-day return <b>+20%^</b> <b>Q1</b>	Tadawul (Nomu)	Share price performance 2020 <b>+313%</b>				
Emerald Real Estate Investments Real Estate	First-day return <b>+3.5%</b> <b>Q1</b>	EGX	Share price performance 2020 <b>+72%</b>				
QLM Life & Medical Insurance Company Insurance	First-day return <b>+24%</b> <b>Q4</b>	QSE	Share price performance 2020 <b>N/A</b>				

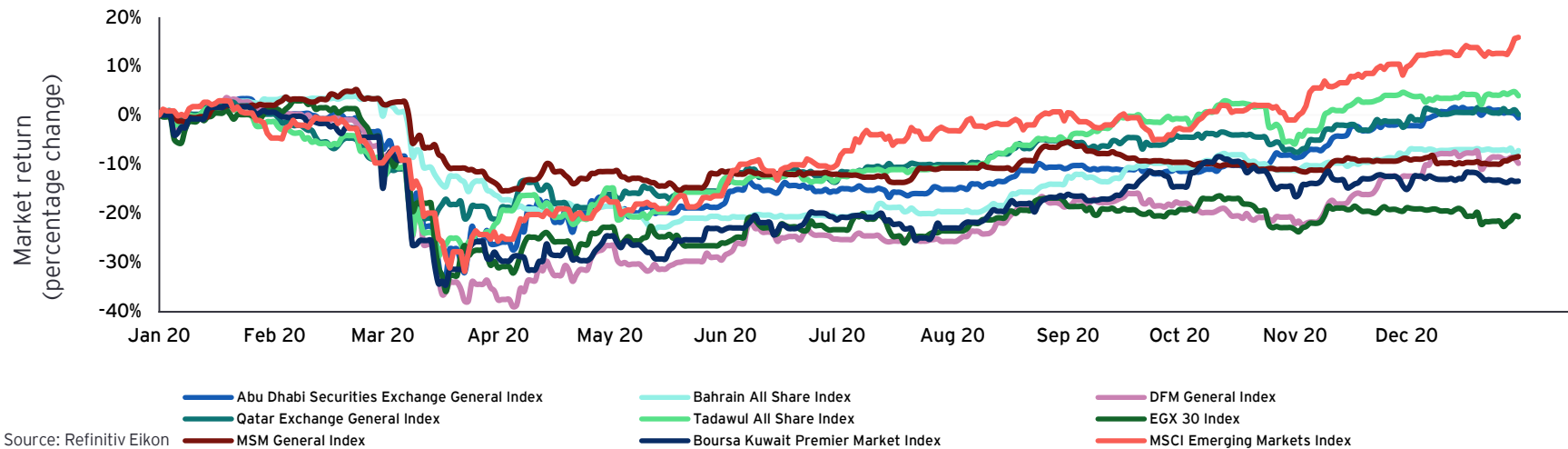


Notes: + or – indicates change compared with offer price at IPO \*Share price performance measured by IPO price – 31 Dec 2020 (exception: Aman REIF per closing price on 28 Dec 2020) ^Indicates maximum daily price fluctuation limit was reached.  
N/A: QLM and Al Mal REIT raised proceeds during 2020 but listed in 2021.

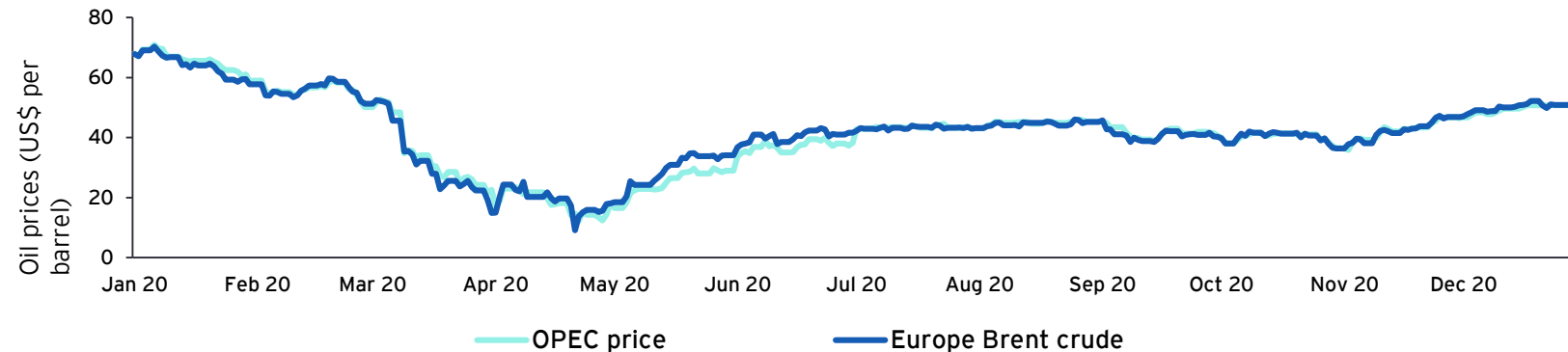


# MENA IPO market outlook

## MENA exchanges' performance



## OPEC and brent oil price



Notes: Updated as on 31 December 2020. Source: Organization of the Petroleum Exporting Countries (OPEC) and Energy Information Association (EIA).

Crude oil prices continued to decline from January 2020, with the biggest slump seen in April 2020, followed by a recovery during the course of 2020. Consumer demand declined due to lockdowns imposed in several countries, following fears of a continued spread of COVID-19. The supply side shock earlier in the year was principally due to failed negotiations between Russia and OPEC countries with respect to production. Although talks later resumed and production cuts were agreed, the market maintained its negative outlook due to the excessive storage and ongoing uncertainties regarding the speed of recovery in demand for oil.

# MENA IPO market outlook

Increase in activity across MENA markets is expected in 2021, particularly in H2 2021, as uncertainties decrease and markets start to become more confident again.

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A decline in economic growth and significant disruption across various industries caused by the COVID-19 pandemic, together with a slump in demand for oil, had a considerable impact on MENA stock performances in 2020. Markets were also impacted at a global level. Market volatility in the first half of the year was higher than at any time since the global financial crisis, although it quickly subsided, and the latter half of the year presented some strong IPO market performances. As 2021 begins, we believe that continued fiscal stimulus measures, an abundance of liquidity, and growing confidence in COVID-19 vaccination programs will sustain positive IPO momentum.

**Matthew Benson**  
EY MENA Strategy and  
Transactions Leader





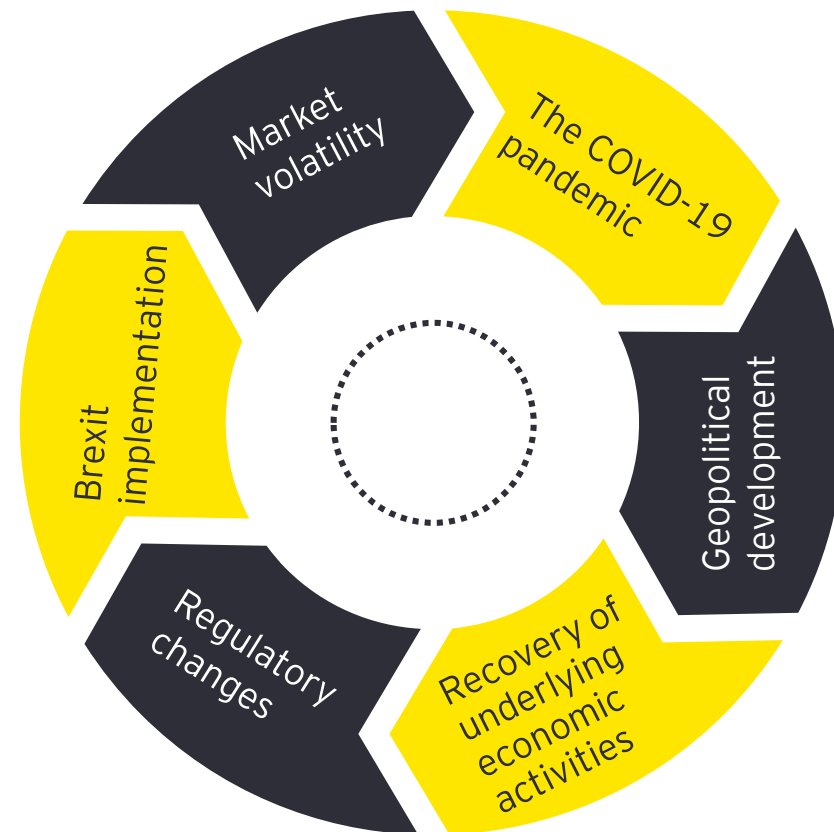
# Recommendations for IPO candidates

## Implications for IPO candidates

IPO candidates who are looking to go public, face uncertainties caused by the continuing pandemic, underlying economic contraction and financial market volatility. IPO candidates considering an IPO will need to:

- ▶ Demonstrate business resilience with innovative business models, supply chain agility and financial strength, as well as a preparedness to go live with the impact of the pandemic for at least another 6 to 12 months.
- ▶ Conduct extensive pre-marketing and pre-IPO funding to lower transaction risk and improve pricing leverage with investors. Conduct virtual and shorter roadshows to limit market risk.
- ▶ Be aware of and consider the geopolitical risk and changing regulatory environment. Need to place more focus on environmental, social and governance (ESG) and diversity on company boards and management teams.
- ▶ Consider all options, from an alternative IPO process (e.g., direct listing, merger with SPAC) to an alternative financing method (e.g., private capital, debt or trade sale).

There are variety of market factors that may impact investor sentiment for IPOs. Pre-IPO companies should analyze how these factors may affect their business, timing and valuations.



Factors are presented in no specific order of priority.





# GCC market highlights

# 2





# Saudi Arabia IPO market insight

The capital markets in KSA continued to mature in 2020, with prominent issuers having listed on the Tadawul.

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The capital markets in Saudi Arabia have shown their resilience during 2020, both in terms of liquidity and regulations. The outlook for the Kingdom's markets remains positive for 2021 and as Tadawul continues its growth and status in the international capital markets, it proves to be an important avenue for investors looking to deploy domestic capital and foreign direct investments (FDI).

**Abdulrahman Moulay Albizioui**  
EY KSA Strategy and  
Transactions Leader



# GCC market highlights: Saudi Arabia and the UAE

## Key highlights: Saudi Arabia

- ▶ Saudi Arabia continued to have the most active IPO market in MENA, both by issuances and proceeds. High valuations coupled with government incentives have made IPOs an attractive route to raising money with more than ten listings (Saudi Basic Industries Corp's specialty chemicals unit, Solutions by STC, ACWA Power and Theeb Car Rental Company) expected to hit the market in 2021. Most notably, the region's largest exchange will be starting preparations for its own IPO with a listing expected in 2022. It will become the third publicly listed stock exchange in the region, after the DFM and more recently, Boursa Kuwait offered their shares to the public in 2006 and 2019 respectively.
- ▶ During 2020, Tadawul announced several new initiatives such as the introduction of direct listing on Nomu, a parallel market, and the launch of their derivatives market supported by the launch of Tadawul's own clearing house, Muqassa. Furthermore, the CMA approved the resolution for companies to issue depository receipts outside of the Kingdom.
- ▶ In Q4 2020, further updates related to disclosures becoming mandatory in both English and Arabic, as well as an increase in daily trading limits were announced. All four IPOs on Tadawul during 2020 reached their daily price fluctuation limits (+10% for the main market and +20% for Nomu) on the first day of listing. The subsequently introduced rules give newly listed stocks on the main market 30% up and down price fluctuation limits for the first three days of trading. On Nomu, the daily price fluctuation limits were increased permanently from 20% to 30% for all listings.

**Saudi Arabia is expected to see more than ten listings in 2021 - with the most notable development being the region's largest exchange, Tadawul, preparing for its own IPO during the year, with the listing expected to occur in 2022.**

Source: Refinitiv Eikon, S&P Capital IQ, Bloomberg, Zawya, Press

## Key highlights: the UAE

- ▶ The UAE market had its first IPO in years (Al Mal Capital REIT) and several new initiatives were announced during 2020 with the aim of increasing the number of listings in the upcoming years ahead. The amended law on foreign ownership and listing requirements (see pages 15-16) is expected to play a key role in increasing IPO activity in both of the onshore exchanges in the UAE.
- ▶ In Abu Dhabi, the second market for private companies on the ADX saw four listings with more expected in 2021. ADQ, the full shareholder of the ADX, launched Q Market Makers (QMM) during Q4 2020. This independently managed market maker is expected to access the funding allocated to the Abu Dhabi economic stimulus package to enhance market liquidity on the ADX.
- ▶ In Dubai, the DFM launched their equity derivatives platform for single stock futures (SSF) at the start of Q4 2020 and also saw the first REIT IPO on the exchange. This brings the total REIT listing in the UAE to three listings; Emirates REIT and ENBD REIT are listed on Nasdaq Dubai.
- ▶ Nasdaq Dubai announced its Growth Market for SMEs in Q4 2020, with the launch expected early 2021. The creation of the Growth Market has been facilitated by developments in the regulatory framework supporting the exchange announced in April 2020 by Dubai Financial Services Authority (DFSA), following consultation with market participants.

**As the UAE continues regulatory overhauls to further encourage listings on the local markets, 2021 is expected to see an uptick in UAE based companies choosing to list on the local markets.**



## The UAE: law update

New regulations have been announced in the UAE that offer more flexibility to IPO candidates and listed companies.

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The 2020 amendments to the Companies Law bode well for the overall development of the capital market in the UAE. Increased flexibility in foreign ownership, changes to the nationality requirements of board members and the increase in the proportion of share capital that owners may now sell, to name a few, are expected to lead to an increase of IPO candidates in the Emirates.

**Alison Hubbard**  
EY MENA Law Leader

“

The reforms made to the Companies Law, combined with various actions taken and announced by the local stock exchanges, such as the creation of new market segments, are probably the fuel that was needed to revitalize the regional business ecosystem, at the right point in time in terms of liquidity availability to investors.

**Franco Grilli**  
EY MENA Law Financial Services  
Leader





# The UAE: law update

On 2 December 2020 Federal Decree Law No. 26/2020 (Decree) came into force in the UAE, significantly amending Federal Law No. 2 of 2015 concerning commercial companies (Companies Law 2015).

The Decree marks a significant change to the landscape for businesses operating in the UAE in a move by the UAE Government to promote foreign investment and IPO activity, and builds on other legislative developments introduced earlier in 2020.

The provisions of the Decree came into force on 2 January 2021, with the exception of the provisions relating to foreign ownership, the nationality of board members of public joint-stock companies (PJSCs) and the requirement for branches to have a local agent, which will come into force on 30 March 2021. While significant changes have been made to the framework surrounding limited liability companies (LLCs), most of the amendments relate to PJSCs, which we anticipate will make the UAE an attractive proposition for a regional listing.

## Key amendments include:

- ▶ On foreign ownership: Article 10 of the Companies Law 2020 removes the historic requirement for a mainland LLC to have 51% UAE ownership. Going forward, the general position will be that, an LLC can be up to 100% foreign-owned, unless it is carrying on "Activities of Strategic Effect." Activities of Strategic Effect will be specified by the cabinet resolution based on the recommendations of a cross-emirates committee, following which, each emirate will set the UAE shareholding requirements in companies undertaking those activities in that emirate. This means that different foreign ownership restrictions could apply in each emirate for businesses undertaking such activities.
- ▶ The nationality of board members of PJSCs: The Decree removes the basic requirement for the chairman and the majority of directors to be UAE nationals. Instead, requirements relating to the constitution of the board of directors of a PJSC undertaking Activities of Strategic Effect shall be determined by the cabinet or at an emirate level.
- ▶ IPO, mergers and acquisitions (M&A): The founders of a private joint-stock company may now sell up to 70% of their capital by the way of public offering, up from 30% under the Companies Law 2015. This upper limit may be exceeded with the approval of the Securities and Commodities Authority (SCA). Furthermore, the founders of a private joint-stock company will only be subject to a six-month lock-up period from the date of conversion to a PJSC.

## Other amendments

- ▶ The liability of advisors to the Founders Committee for the accuracy and completion of all documents, studies and reports submitted in the process of the incorporation, licensing and registration of the PJSC has been removed. Going forward, the Founders Committee remains solely liable.
- ▶ Similarly, a valuer of in-kind contributions will no longer be liable for the accuracy of the valuations, but instead must perform the valuation with the care exercised by a vigilant person, removing another hurdle to IPO. However, such in-kind contributions will be subject to further subsidiary legislation.
- ▶ The provisions in the Companies Law 2015 relating to related party transactions have been expanded by the Decree to include additional disclosure and notification obligations.
- ▶ The provisions relating to the liability of the board of directors have been expanded to include members of the executive management and provides a mechanism for the immediate removal of a board member found guilty of fraud, misuse of power or conflict of interest.
- ▶ Shareholder protection has been enhanced by the expansion of the provisions relating to shareholder action against the company. Shareholders holding 10% of the share capital in a PJSC may now call a General Assembly, down from 20% under the Companies Law 2015; and shareholders representing 5%, down from 10%, of the share capital may add items to the agenda at a General Assembly.
- ▶ Voting at a General Assembly may now be via electronic means, in accordance with directions issued by SCA, bringing the landscape into alignment with more mature jurisdictions.
- ▶ The concept of authorized share capital has been removed by the Decree, but allows for shareholder approval for an increase in share capital to remain valid for up to three years. The provisions in the Companies Law 2015 prohibiting financial assistance have been expanded to include use of the company's reserves or funds or profits to pay the liabilities of a recipient.



# GCC market highlights: Qatar and Kuwait

## Key highlights: Qatar

- ▶ The IPO of Q Life and Medical (QLM) Insurance Company was the first for the QSE since Baladna went public in 2019. Having raised proceeds of US\$179.6m, QLM became the third largest IPO of the MENA region during 2020.
- ▶ Earlier in the year, following a meeting between the QSE and the Qatar Financial Market Authority (QFMA), there was news that the book-building process would be introduced to the market and a potential price stability fund would be initiated to ensure protection for individual and small investors.
- ▶ In Q4 2020, the sovereign wealth fund of the State of Qatar, the Qatar Investment Authority (QIA), finalized its acquisition of a 10% stake in Borsa İstanbul A.Ş., the primary stock exchange operator in Turkey, for US\$200m.

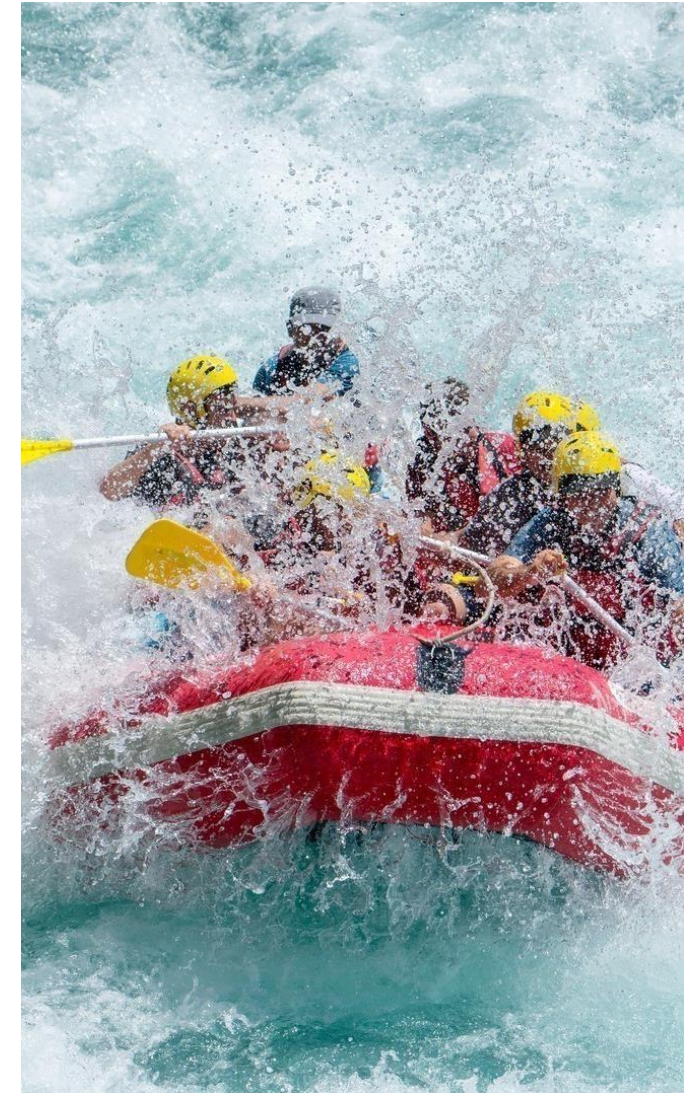
## Key highlights: Kuwait

- ▶ After its IPO in Q4 2019, Boursa Kuwait officially became a listed company during Q3 2020 and saw its shares surge more than ten-fold on the first public trading day. Prior to the listing, the shares were being traded in the local OTC market.
- ▶ Shamal Az-Zour Al-Oula Power and Water Company also completed its listing in Q3 2020 after raising capital in 2019 and became the first publicly traded PPP company in Kuwait.
- ▶ Kuwait's highly anticipated inclusion in the MSCI EM index took place on 30 November 2020, after being delayed earlier in the year due to the COVID-19 pandemic. The inclusion of seven listed companies, the National Bank of Kuwait (NBK), Kuwait Finance House (KFH), Zain, Agility, Boubyan Bank, Mabaneer and Gulf Bank, brought inflows of over US\$3.17b, most of which came from foreign inflows.
- ▶ In Q4 2020, Boursa Kuwait announced having obtained approval from the regulator, the Capital Markets Authority (CMA), to restructure promotion requirements for the Premier Market. The exchange had introduced the three tier system in 2018, as part of major reforms for market development and to increase liquidity. The new parameters are expected to raise transparency and increase the issuer base in the "Premier Market" by potentially increasing the number of medium to large sized companies in it, all of which will reflect positively on the development of the Kuwaiti capital market and benefit its investors, according to a statement from the Boursa.

Source: Refinitiv Eikon, S&P Capital IQ, Bloomberg, Zawya, Press

As relations between Qatar and other GCC countries are restored in 2021, investor sentiment will receive a boost which will be beneficial for the capital markets in Doha.

Kuwait's completion of the MSCI EM Index inclusion will continue to bring passive inflows to the capital markets in Kuwait.





# GCC market highlights: Oman and Bahrain

## Key highlights: Oman

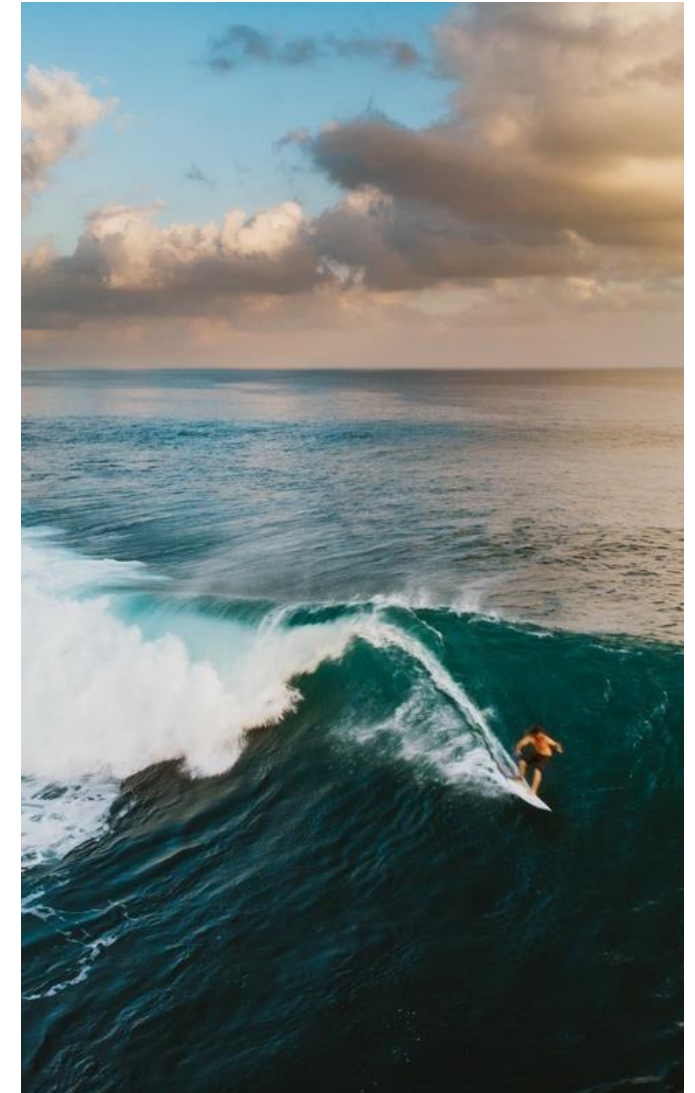
- ▶ The Aman REIF IPO on the MSM, which raised US\$52.5m was the first MENA IPO of 2020. The next IPO for Oman is scheduled to be Oman REIT with the proceeds expected to be in the range of US\$60m to US\$100m, expected early 2021.
- ▶ Oman announced several measures during 2020 to reduce their spending and raise revenues primarily through taxes. Value-added tax (VAT) of 5% will be implemented in April 2021, and by 2022, Oman is expected to start implementing an income tax on high earners, which is an unprecedented move in the GCC countries.
- ▶ One of the most anticipated listings from Oman is of OQ (formerly known as Oman Oil and Orpic Group), the government-owned global integrated energy company. They had announced in late 2019 that they were planning to IPO 20%-25% of their shares in 2020. However, the listing did not materialize during 2020 due to the volatility in oil prices and the impact of the pandemic. In Q4 2020, they announced plans to invest in alternative energy projects in Oman to further enhance their IPO story.

## Key highlights: Bahrain

- ▶ The Bahrain Bourse announced in 2020 that it is planning to launch its enhanced delivery-versus payment (DVP) model, which aims to activate the custody model in the market by combining pre-settlement controls through a custodian trade confirmation or rejection practice, with an automated solution to custodian-broker settlement.
- ▶ The ESG voluntary reporting guidelines for listed companies to promote sustainability and transparency in Bahrain's capital market were also introduced in 2020.
- ▶ Bahrain Bourse was elected to become a member of the board of directors at the Arab Federation of Exchanges (AFE) in Q4 2020.
- ▶ According to the Bahrain Economic Development Board (EDB), Bahrain attracted US\$885m in direct investments during 2020 through new companies setting up and expanding in the Kingdom.

Reforms are expected to continue in Oman coupled with an increase in privatization efforts which could see an increase in IPOs in the coming years.

The Bahrain Bourse continued efforts to further improve the capital markets in Bahrain during 2020, and we expect smaller issuances to come to market in the coming years.





# Non-GCC market highlights

# 3





A large sailboat with a prominent white sail is shown from a low angle, sailing on a blue sea. The sail is partially visible, and the boat's hull is dark. The background is a clear blue sky.

## Non-GCC

IPO activity in Egypt during 2020 was minimal; however, the expectations for 2021 are high, with numerous key issuers in the pipeline.

“

Despite the challenges of 2020, Egypt's GDP experienced strong growth, owing to its resilient and diversified economy. IPO activity is key to helping boost market liquidity and is an enabler of FDI, which is an important pillar of Egyptian economic development agenda. Looking ahead, private as well as state-owned companies are expected to play a greater role in accelerating their IPO plans in 2021, with several companies across different sectors indicating that their IPOs are in the pipeline. The rollout of COVID-19 vaccines will also help to sustain IPO momentum.

**Sherif El-Kilany**  
EY Country  
Managing Partner – Egypt



# Non GCC market highlights: Egypt and Morocco

## Key highlights: Egypt

- ▶ 2020 was set to be a promising year for the Egyptian capital market as 14 companies were expected to go public. However, only one IPO materialized, Emerald Real Estate Investments, which raised US\$13m in Q1 2020.
- ▶ Egypt announced plans to privatize three army-affiliated companies by early 2021. Local and foreign investors will get a chance to own up to 100% of these military-affiliated companies. Other anticipated upcoming IPOs are E-finance, Aman Holding, Ghazl El Mahalla and Taaleem.
- ▶ During the year the Egyptian Parliament approved the reduction of stamp duty on the sale of securities and the Financial Regulatory Authority (FRA) announced that the new Egyptian Accounting Standards (no. 47, 48, 49) implementation would be postponed until the beginning of 2021, due to the impact of the pandemic.
- ▶ The privatization plans for state-owned companies were suspended mid year due to unfavorable market conditions. However, toward the end of 2020, the Egyptian Minister of Public Enterprise Sector, Hisham Tawfik told Bloomberg that Egypt is ready to resume its privatization program, without mentioning a timeline.

## Key highlights: Morocco

- ▶ Aradei Capital SA, a key commercial real estate player in Morocco, listed on the Casablanca Stock Exchange, by issuing 14.1% of its shares in a deal that raised US\$65.9m in December 2020.
- ▶ The Casablanca Stock Exchange launched the Morocco Stock Index 20 in Q4 2020, which represents the stock price of the 20 most liquid companies listed on the exchange.

Source: Refinitiv Eikon, S&P Capital IQ, Bloomberg, Zawya, Press

Activity is expected to pick up steam in Egypt as the IPO privatization program resumes once again and private firms look to raise funds on the capital markets.

Morocco's first IPO since late 2018 sets the stage for more issuers to follow suit with a listing in the medium term.



Global IPO  
market

4





A person in a light pink shirt and blue pants is pushing a large, dark grey rock that is precariously balanced on a rocky outcrop. The person is standing on a lower rock surface, reaching up to touch the underside of the larger rock. The background shows a clear blue sky with scattered white clouds and a distant, hilly landscape with green vegetation.

# Global IPO market

In a year full of surprises, 2020 IPO markets defied expectations.

“

The year 2020 was full of surprises. Market volatility in H1 2020 was higher than any time since the global financial crisis. But volatility quickly subsided, with the year ending on the back of some stellar IPO market performances. Buoyant global IPO markets have demonstrated the resilience of equity markets despite the pandemic. Capital markets and IPOs allow high-growth companies to fund innovation, accelerate growth and make significant contributions to the society.

Looking to H1 2021, continued fiscal stimulus, abundance of liquidity and optimism in the COVID-19 pandemic vaccines should sustain IPO momentum. However, investors should be aware of any potential market correction, especially for those companies that have seen their share prices making substantial gains from the market rally in 2020.

**Paul Go**  
EY Global IPO Leader

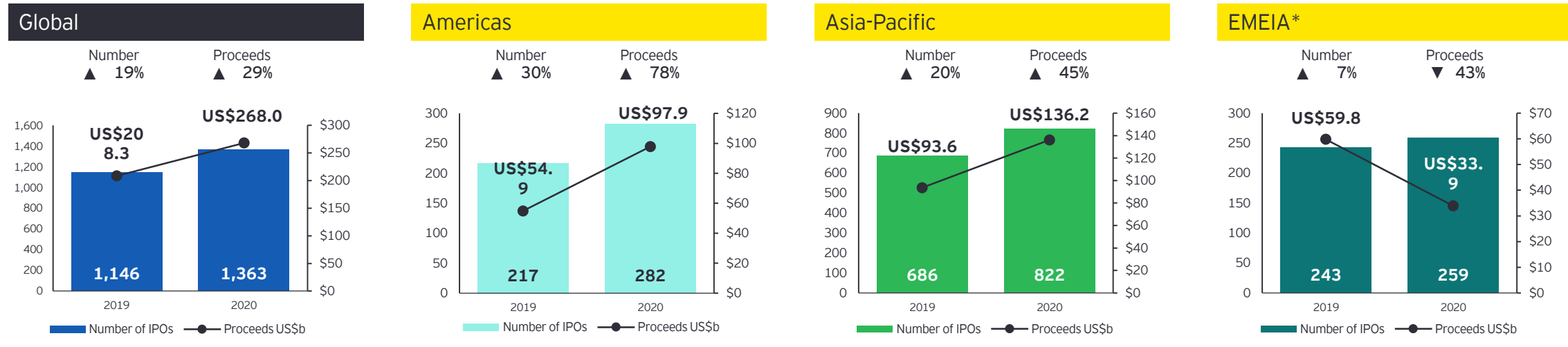


# Global IPO market summary: 2020 review

## Key highlights

- ▶ IPO investors enjoyed a good year as IPOs defied the negative impacts of the COVID-19 pandemic. The IPO process and ecosystem have adapted to change (e.g., virtual roadshows). **Strong IPO activity demonstrates that the global equity markets are resilient, open and working.** For investors in today's low interest rate environment, equity investments offer a means to achieve higher returns.
- ▶ Global IPO numbers were up 19%, while proceeds increased 29% from 2019. 2020 saw 1,363 IPOs with total proceeds of US\$268.0b, **the highest proceeds since 2010**, when US\$290.2b was raised via 1,361 IPOs.
- ▶ In the Americas, IPO activity numbers and proceeds increased 30% and 78%, respectively. Asia-Pacific saw a 20% increase by deal numbers and a 45% rise in proceeds. Meanwhile, EMEA deal numbers rose by 7%, and proceeds decreased by 43%, compared with 2019.
- ▶ **IPOs provide an opportunity for high-growth companies to fund innovation and accelerate growth.** For example, European COVID-19 vaccine makers BioNTech SE and CureVac NV went public in October 2019 and August 2020, respectively. In Asia-Pacific, China's BeiGene Ltd. (which is listed on NASDAQ and HKEx) helped to develop COVID-19 testing and treatment. Access to funding from capital markets is critical for these companies to make valuable contributions to society.
- ▶ **Post-IPO returns in 2020 remained high compared with 2019**, suggesting there could be more speculative investors chasing higher and faster returns, and more retail investors trading on the stock market. In the Americas, first-day average returns were 45.6%; current average returns are 72.3%; in Asia-Pacific, first-day versus current average returns were 57.9% and 79.5%, respectively; and in EMEA, first-day versus current average returns were 5.2% and 16.6%, respectively.
- ▶ **In 2020, the most active sectors were technology, industrials and health care**, which accounted for 59% of global deals and 64% of proceeds.

## Full-year comparison



\*In 2019, the largest-ever IPO (Saudi Aramco, which raised US\$29.4b) was listed on the Saudi Tadawul in EMEA. Excluding this listing, 2020 proceeds would have shown a 12% increase compared with 2019. All values are US\$ unless otherwise noted. 2020 refers to the full year of 2020 and covers completed IPOs from 1 January 2020 to 31 December 2020. Q4 2020 and Q4 20 refer to the fourth quarter of 2020 and cover completed IPOs from 1 October 2020 to 31 December 2020. Data as of COB 3 January 2021.



# SPACs: IPO market insight

SPACs continue to be an attractive liquidity option.

“

Activity in the SPAC market accelerated through the end of 2020 and momentum remains strong. SPACs are here to stay, filling the needs of companies that are ready to go public and want to move more quickly than the traditional IPO. With a tremendous amount of cash placed in SPAC trusts and the strong private investment in public equity (PIPE) market, mergers will continue to be announced with companies across various sectors.

**Karim Amani**  
EY Americas SPAC Leader



# US SPAC highlights

- ▶ 2020 was a record-breaking year for SPAC IPOs, as 248 IPOs raised US\$80.9b, compared with 60 IPOs for US\$13.7b in 2019.
- ▶ In Q4 2020, there were more SPAC IPOs on US exchanges than traditional IPOs. By proceeds, SPAC IPOs accounted for 55% of US total IPO proceeds during the same period.
- ▶ There were 64 SPAC acquisitions completed during 2020, with a total acquisition value of US\$85.3b. In Q4 2020 alone, total acquisition value reached US\$54.3b, more than doubling previous full-year values.
- ▶ Recently, the SPAC market has been operating with tremendous efficiency and the liquidity alternative for many companies is attractive.
- ▶ SPACs are filling a funding need for companies that are ready to go public and want to move more quickly than the traditional IPO route offers.

## Outlook

- ▶ Momentum in the SPAC market is expected to remain strong in 2021, as more new SPACs are in the public pipeline every month, with many more behind them.
- ▶ There has been a tremendous amount of cash placed in SPAC trusts, especially from the beginning of H2 2020. There are 228 active SPACs, with nearly US\$75b in trust, as of the end of December 2020. As a result, there will likely be more announced SPAC mergers and new public market entrants from SPAC mergers in 2021 and 2022 than ever before.
- ▶ Post-SPAC merger companies will need to perform relative to their projections just like any other public company, which is not always a straightforward exercise for early stage businesses. The performance of these companies may affect the future of the SPAC market and could result in a pause in SPAC funding.

## 2020 US SPAC IPO activity

2020

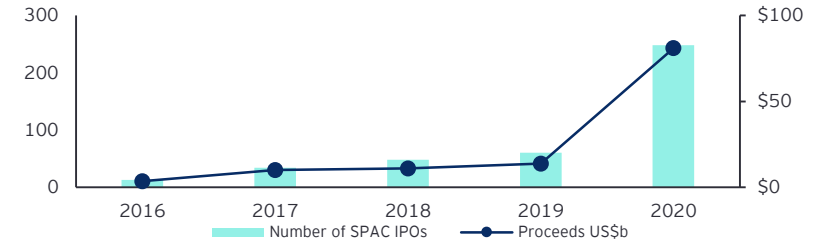
Change on  
2019

248  
IPOs

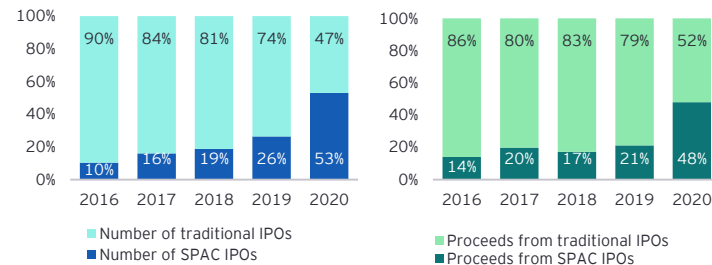
▲ 313%

US\$80.9b  
proceeds

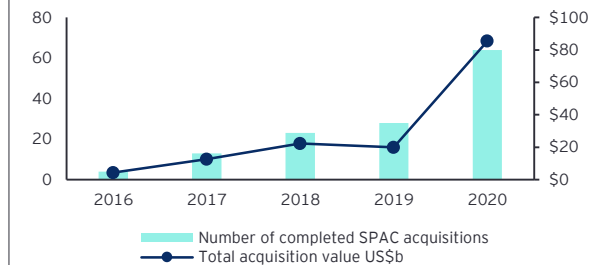
▲ 491%



## SPAC IPOs by % of all US IPO activity



## Completed US SPAC acquisitions



## Selected 2020 completed US SPAC acquisitions

SPAC name	Target	Deal value US\$b	Sponsor	Acquisition sector
Churchill Capital Corp. III	MultiPlan, Inc.	11.1	Churchill Sponsor III LLC, M. Klein and Company, LLC	Health care
Conyers Park II Acquisition Corp.	Advantage Solutions	5.2	Conyers Park II Sponsor LLC, Centerview Capital	Consumer
Social Capital Hedosophia Holdings Corp. II	Opendoor Technologies, Inc.	4.8	SCH Sponsor II, LLC	Technology
Mosaic Acquisition Corp.	Vivint Smart Home, Inc.	4.2	Fortress Investment Group LLC	Consumer
Flying Eagle Acquisition Corp.	Skillz Inc.	3.5	Eagle Equity Partners II, LLC	Consumer

All amounts in table are in US\$

Source: SPAC Research, SEC filings

Figures may not total 100% due to rounding

\*SPAC IPOs in this context refer also to ex-business development and blank check companies but exclude Capital Pool IPOs. SPAC IPO deal numbers and proceeds on this page are excluded from other parts of the Global IPO trends: Q4 2020 report (pages 1–13, 16–29 and appendices). All values are US\$ unless otherwise noted. 2020 refers to the full year of 2020 and covers completed SPAC IPOs from 1 January 2020 to 31 December 2020. Data as of COB 3 January 2021.

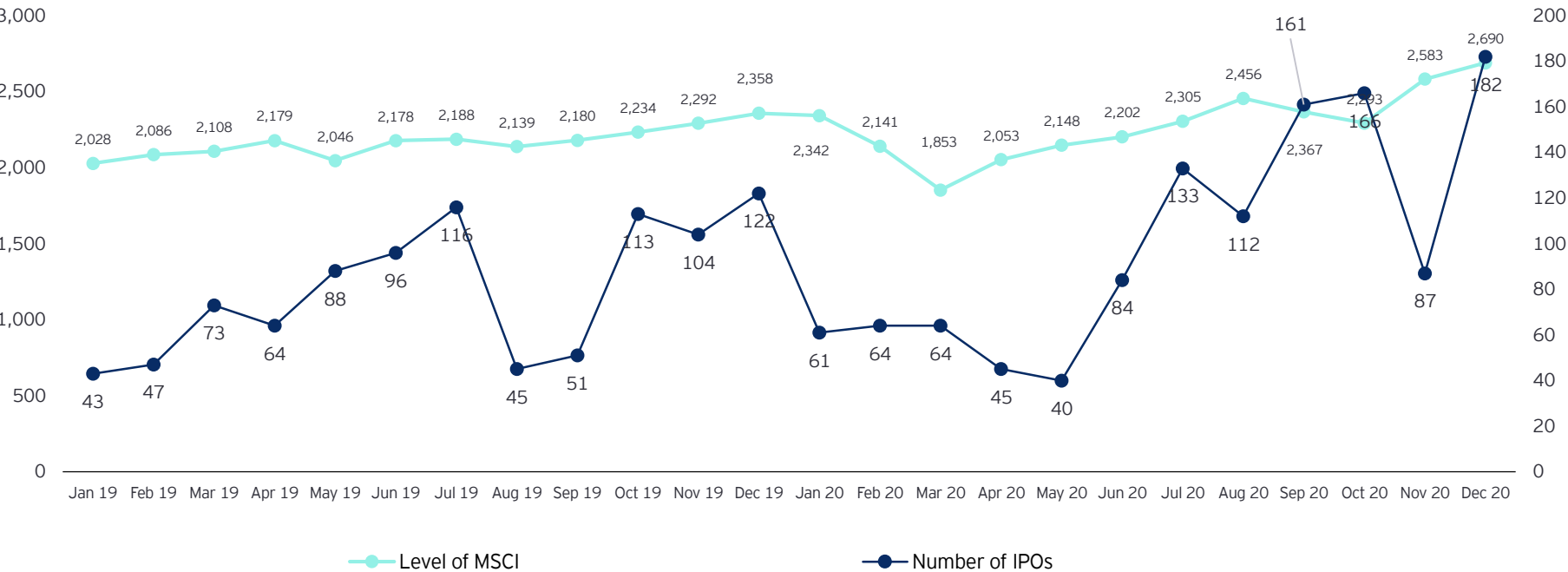


# Global IPO market outlook

- ▶ **Looking ahead, global IPO pipelines remain healthy. We expect IPO activity to sustain its momentum going into H1 2021** as companies take advantage of ample liquidity and positive sentiment from the availability of new vaccines becoming available in most countries. An agreed Brexit deal will also favor the IPO market sentiments with more clarity on the trade arrangements between EU and the UK, going forward.
- ▶ However, **IPO candidates should be aware of a potential market correction.** Equity prices, which made significant advances in 2020, will be more exposed to any price correction, if market volatility increases in 2021. There is also uncertainty on the effectiveness of the new vaccines to control further spread of the pandemic, which is critical for global economic recovery. Together with the proposed regulatory changes on IPO listing requirements in certain markets, we may see IPO candidates choose to complete their listings while the transaction window remains open.
- ▶ Until the pandemic is under control and hard-hit sectors, such as retail, aviation, travel and hospitality begin to recover, we anticipate **H2 2021 to be more challenging than H1 2021**, as investors review their portfolios and reallocate among different asset classes.
- ▶ **Americas:** Although the traditional IPO model had to adapt during the pandemic, IPO markets continue to be very active and show strong performance. We expect 2021 to be a strong year for IPO-bound companies, with the continued evolution of the traditional IPO model, growth in SPAC formations and direct listings.
- ▶ **Asia-Pacific:** The IPO market trend remains positive for H1 2021. We expect that IPO-bound companies in high-performing sectors (technology, health care and industrials) will continue to do well in 2021, including US FPIs looking to complete secondary listing outside of the US. The speed of recovery from the expected disappointing 2020 reported earnings due in Q1 2021 will also affect the market sentiments going into H2 2021.
- ▶ **EMEIA:** With indices recovering much of their losses in early 2020, capital markets appear optimistic about 2021. We expect the IPO market to sustain its H2 2020 momentum into H1 2021, with the caveat that many uncertainties remain.
- ▶ **Sector:** Technology and health care IPOs, which excelled during the pandemic, will likely do well in 2021, as some temporary consumer and workforce shifts become permanent and governments continue to allocate budgets to health care resources. We also expect to see an increased focus on the renewables sector.
- ▶ **Cross-border listings** on the US exchanges may slow down as a result of the Holding Foreign Companies Accountable Act (HFCAA) passed by the US Congress in December 2020. The Act could remove overseas companies from US exchanges if the Public Company Accounting Oversight Board (PCAOB) is not provided with access to financial audit-related documentation. The HFCAA also requires companies to establish that they are not owned or controlled by a foreign government. Foreign companies have three years to comply with the requirements before facing the threat of losing access to US stock markets. The delisting of three mainland Chinese companies by the NYSE in January 2021 adds further regulatory uncertainty and risk for listing in the US market.

# Global IPO market outlook (contd.)

IPO activity vs. MSCI World Index



Global equity indices rose to new highs at the end of 2020, while IPO activity continued to climb, demonstrating that equity markets are resilient, open and working.

\*MSCI World Index is composed of more than 1,500 constituents listed on stock exchanges of various developed markets. The index includes companies from 24 developed markets in Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States. The index constituents are weighted on the basis of free float market capitalization. MSCI World Index is reviewed on a quarterly basis and is managed by MSCI Inc. Number of IPOs shown on this chart excludes all deals with proceeds below US\$5m and SPACs.

All values are US\$ unless otherwise noted. 2020 refers to the full year of 2020 and covers completed IPOs from 1 January 2020 to 31 December 2020. Q4 2020 and Q4 20 refer to the fourth quarter of 2020 and cover completed IPOs from 1 October 2020 to 31 December 2020. Data as of COB 3 January 2021.



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



### Gregory Hughes

Partner – EY Consulting LLC, Dubai  
EY MENA IPO Leader  
gregory.hughes@ae.ey.com



### Mayur Pau

Partner – EY Consulting LLC, Dubai  
EY MENA Financial Services IPO  
Leader  
mayur.pau@ae.ey.com



### Shana Marashi

Manager – EY Consulting LLC, Dubai  
EY MENA IPO Manager  
shana.marashi@ae.ey.com

## How EY's MENA IPO team can support you



- ▶ 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 the best practice and stock exchange requirements.
- ▶ A key output of the IPO readiness diagnostic is a detailed road map of activities to address the identified gaps, actioned with the assistance of 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  
Includes various follow-up services to help address the IPO readiness gaps identified.
- 2** IPO preparation  
Project management to help you better prepare (services include: support for business plan, IR strategy, HR, creation of KPIs, assistance with and review of IPO valuation models and support for specific IPO issues of tax accounting).
- 3** 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.

## Guide to going public

Strategic considerations before, during and post-IPO.

Download



### [Why the CFO is integral to a successful IPO](#)

Two CFOs share their learnings from the experience of taking a private company public.



### [How market volatility is placing IPO activity at risk in 2020](#)

Turbulent market activity in the first quarter of 2020 places major uncertainty on future listings.



### [How the easing of lockdowns has impacted IPO activity](#)


Global IPO activity is beginning to increase, buoyed by economies emerging from lockdown.



### [How private businesses are reigniting growth](#)

Responding to the COVID-19 crisis demands agility – a key attribute of private businesses.





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# Appendix

# 5





# Appendix

## IPO activity per stock exchange

### Stock exchange IPO numbers

Stock exchange	IPOs 2020	IPOs since 2018
Tadawul – Main Market	3	20
Tadawul – Nomu	1	2
ADX	0	0
DFM	1	1
EGX	1	8
Boursa Kuwait	0	2
MSM	1	4
QSE	1	3
Casablanca SE	1	3



# Appendix

## List of MENA IPOs

Q1 2018–Q4 2020

Quarter	Issuer	Size (US\$m)	Sector	Exchange
Q4 20	BinDawood Holding	584.2	Consumer staples	Tadawul
Q4 20	Al Mal Capital REIT	95.3	REIT fund	DFM
Q4 20	QLM Insurance Company	179.6	Health care	QSE
Q4 20	Aradei Capital SA	65.9	Real estate	Casablanca SE
Q3 20	Amlak International for Real Estate Finance	115.9	Real estate	Tadawul
Q1 20	Dr. Sulaiman Al-Habib Medical Services Group Company	700.9	Health care	Tadawul
Q1 20	Aman REIF	52.5	REIT fund	MSM
Q1 20	Sumou Real Estate Co.	47.8	Real estate	Tadawul (NOMU)
Q1 20	Emerald Real Estate Investments	13.0	Real estate	EGX
Q4 19	Saudi Arabian Oil Company	29428.5	Oil and gas	Tadawul
Q4 19	Baladna Q.P.S.C.	395.6	Consumer products	QSE
Q4 19	Shamal Az-Zour Al-Oula Power and Water Company	181.0	Power and utilities	Boursa Kuwait



# Appendix (contd)

## List of MENA IPOs

Q1 2018–Q4 2020 (contd)

Quarter	Issuer	Size (US\$m)	Sector	Exchange
Q4 19	Tenth of Ramadan for Pharmaceutical Industries and Diagnostic Reagents (Rameda) S.A.E.	108.7	Provider care	EGX
Q4 19	Boursa Kuwait	33.0	Banking and capital market	Boursa Kuwait
Q4 19	Musandam Power Company SAOG	23.1	Power and utilities	MSM
Q3 19	Fawry for Banking Technology and Electronic Payments S.A.E.	97.0	Technology	EGX
Q3 19	Ataa Educational Company	93.0	Professional services	Tadawul
Q2 19	Network International Holdings Limited	1400.0	Technology	LSE
Q2 19	Arabian Centres Company Limited	658.7	Real estate management and development	Tadawul
Q2 19	Finablr PLC	397.9	Technology	LSE
Q2 19	Maharah Human Resources Company	207.0	Professional services	Tadawul
Q2 19	Shuaa REIT Fund	157.7	REIT fund	Tadawul
Q2 19	Speed Medical Company	1.2	Health care	EGX
Q1 19	Al Moammar Information Systems Co.	57.6	Software & services	Tadawul

# Appendix (contd)

## List of MENA IPOs

Q1 2018–Q4 2020 (contd)

Quarter	Issuer	Size (US\$m)	Sector	Exchange
Q4 18	Qatar Aluminium Manufacturing Company Q.P.S.C.	758.7	Mining and metals	QSE
Q4 18	Sarwa Capital	123.0	Financial services	EGX
Q4 18	National Company for Learning & Education	65.9	Consumer services	Tadawul
Q4 18	Alkhabeer REIT	63.3	REIT fund	Tadawul
Q4 18	Mutandis SCA	42.5	Consumer goods	Casablanca SE
Q4 18	APM Terminals Bahrain B.S.C.	32.0	Transport	Bahrain Bourse
Q4 18	AOM Invest SpA	9.4	Leisure and tourism	Algeria SE
Q3 18	Leejam Sports Company	217.9	Consumer services	Tadawul
Q3 18	Cairo Investment & Real Estate Development Co	69.5	Real estate	EGX
Q3 18	Dhofar Generating Company S.A.O.C.	52.0	Power and utilities	MSM
Q3 18	Tunisie Valeurs SA	7.9	Financial services	Tunis SE
Q2 18	Mefic REIT Fund	234.5	REIT fund	Tadawul
Q2 18	Shelf Drilling	225.0	Oil and gas	Oslo SE (Norway)



# Appendix (contd)

## List of MENA IPOs

Q1 2018–Q4 2020 (contd)

Quarter	Issuer	Size (US\$m)	Sector	Exchange
Q2 18	Bonyan REIT Fund	173.7	REIT fund	Tadawul
Q2 18	Swicorp Wabel REIT	94.4	REIT fund	Tadawul
Q2 18	CI Capital Holding Co SAE	57.8	Financial services	EGX
Q2 18	Immorente Invest S.A.	43.4	REIT fund	Casablanca SE
Q2 18	RA International Group Plc	24.6	Construction	LSE (AIM)
Q2 18	Arabia Falcon Insurance Co.	12.8	Insurance	MSM
Q2 18	National Building and Marketing Co.	8.6	Construction	Tadawul (NOMU)
Q1 18	BPE Holding For Financial Investments	26.3	Financial services	EGX
Q1 18	SEDCO Capital REIT Fund	173.3	REIT fund	Tadawul
Q1 18	Jadwa REIT Saudi Fund	126.4	REIT fund	Tadawul
Q1 18	Al Rajhi REIT Fund	113.8	REIT fund	Tadawul
Q1 18	Derayah REIT Fund	96.5	REIT fund	Tadawul
Q1 18	AlNefae-Umm Alqura REIT Fund	93.2	REIT fund	Tadawul

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## Contacts

### Gregory Hughes

EY MENA IPO Leader  
Partner – EY Consulting LLC, Dubai  
[gregory.hughes@ae.ey.com](mailto:gregory.hughes@ae.ey.com)

### Shana Marashi

EY MENA IPO Manager  
Manager – EY Consulting LLC, Dubai  
[shana.marashi@ae.ey.com](mailto:shana.marashi@ae.ey.com)

### Mayur Pau

EY MENA Financial Services  
IPO Leader  
Partner – EY Consulting LLC, Dubai  
[mayur.pau@ae.ey.com](mailto:mayur.pau@ae.ey.com)

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