

MENA IPO momentum continues into 2023

MENA IPO Eye: Q1 2023 report

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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 Q1 2023.

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

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MENA IPO market

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Q1 2023 proved MENA IPOs continue to go against global trends. Even though the number of IPOs in Q1 2023 was lower than Q1 2022 (10 IPOs), the mega IPO of ADNOC Gas PLC stood out for the region with the highest proceeds globally (US\$2.5b) for the quarter.

2023 continues to have a healthy IPO pipeline across the region with several initiatives to support private and government entities on their path to IPO.

Brad Watson

EY MENA Strategy and Transactions Leader

01

MENA IPO market

MENA IPO market summary: MENA IPO momentum continues into Q1 2023 with a promising pipeline to follow

Key highlights: IPOs and direct listings

- ▶ MENA IPO markets saw 10 IPOs during Q1 2023 raising US\$3.4b in proceeds. This represents a 33% decrease in the number of IPOs and a 14% decrease in proceeds as compared with Q1 2022.
- ▶ Globally, in Q1 2023, there have been 299 IPOs raising US\$21.5b, a 61% decrease in funds raised y-o-y. This follows the trend for 2023 in which IPO-bound companies and investors were faced with persistent macroeconomic and geopolitical uncertainties, which were exacerbated by stress in the global banking system. IPO windows are short, and funding conditions are getting tougher, with investors prioritizing value over growth. Despite the weaker global sentiment, the MENA region remains buoyant.
- ▶ Once again, Saudi Arabia dominated the region's IPO activity in terms of the number of listings in Q1 2023 with six IPOs on the Tadawul (Nomu) parallel market with proceeds of US\$0.7b and one Real Estate Investment Fund (REIT) raising US\$0.1b. The IPOs during Q1 2023 came from a range of companies spanning a number of sectors and included Leen Alkhair Trading Co., Horizon Foods Co., Nofoth Food Products Co., Waja Co., BENA Steel Industries Co., Knowledge Net Co. and Alinma Hospitality REIT Fund.
- ▶ The Abu Dhabi Securities Exchange (ADX) had the largest IPO of the quarter globally, with ADNOC Gas PLC raising US\$2.5b. The ADNOC Gas IPO was oversubscribed 58 times, with its first closing day share price trading 19% higher than its listing price (AED2.37). This is the sixth company that the ADNOC Group has listed and continues the trend into 2023 with further announcements. In addition, Presight AI Holding PLC (the second IPO from G42's portfolio), an ADX-listed data analytics company raised US\$0.5b and was oversubscribed 136 times.
- ▶ Other regional exchanges also saw IPO activity in Q1 2023 such as Abraj Energy Services SAOG. It is Oman's largest oilfield services provider, with a listing on the Muscat Stock Exchange (MSX) and raising US\$0.2b. The IPO was 8.7 times oversubscribed. MEEZA, a technology services provider, is expected to list in Q2 2023 and will be the first company to use the book-building mechanism in Qatar to set the IPO price.
- ▶ There were three direct listings in the MENA region during Q1 2023. Out of the three, Balady Poultry Co. and Algeman for Computer Systems Co. was listed on the Nomu and Damaan Islamic Insurance Company was listed on the QSE.
- ▶ The outlook in the MENA region for the rest of 2023 remains positive. Various initiatives such as the Abu Dhabi IPO Fund (ADIPOF) will support private companies on their path to becoming an IPO. This will help in generating a good pipeline for the ADX. Several KSA companies have announced their listing plans on the Tadawul including Ghida Al-Sultan Company, Foods Gate, Meyar Construction Co., Saudi Lime Industries Company, First Mills Company, HyperPay and Al Ansari Exchange, a UAE-based currency exchange provider, listed on the Dubai Financial Market (DFM) on 6 April 2023 raising US\$0.2b in proceeds.

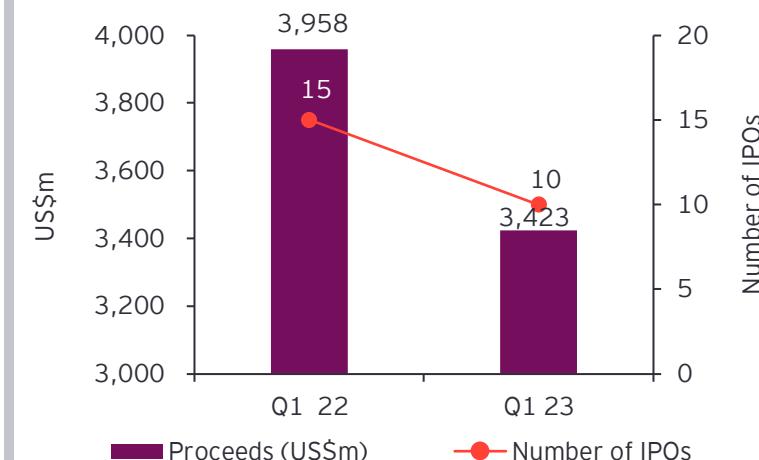
MENA IPO overview

| Q1 2023 | 10 IPOs US\$3.4b proceeds | -33% IPOs -14% proceeds | Change y-o-y |
|---------|------------------------------------|----------------------------------|--------------|
|---------|------------------------------------|----------------------------------|--------------|

Three direct listings

Notes: Change y-o-y reflects Q1 2022 vs. Q1 2023.

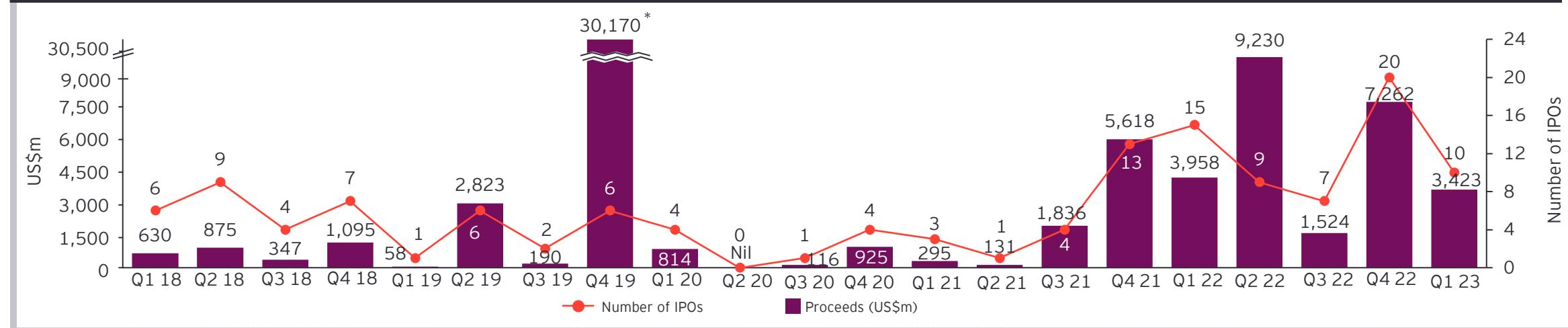
MENA IPO activity



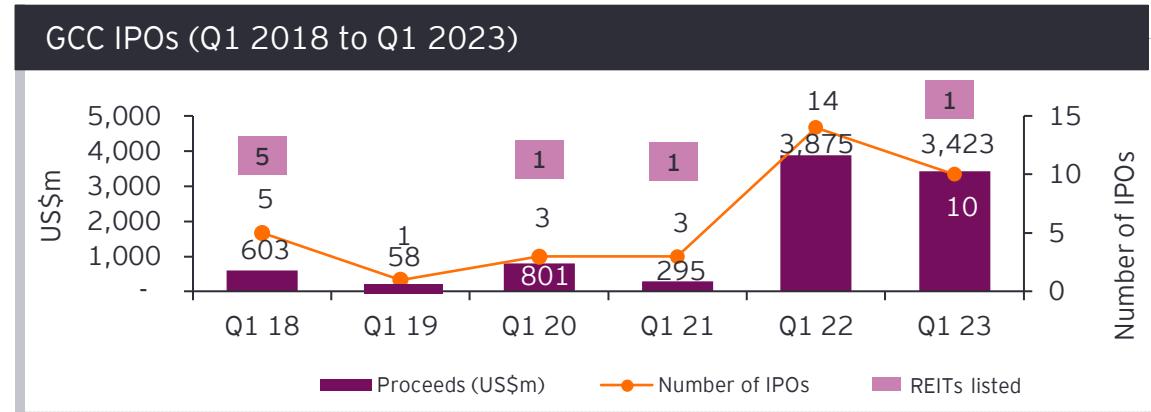
Source: Refinitiv Eikon, S&P Capital IQ.

MENA IPO market snapshot

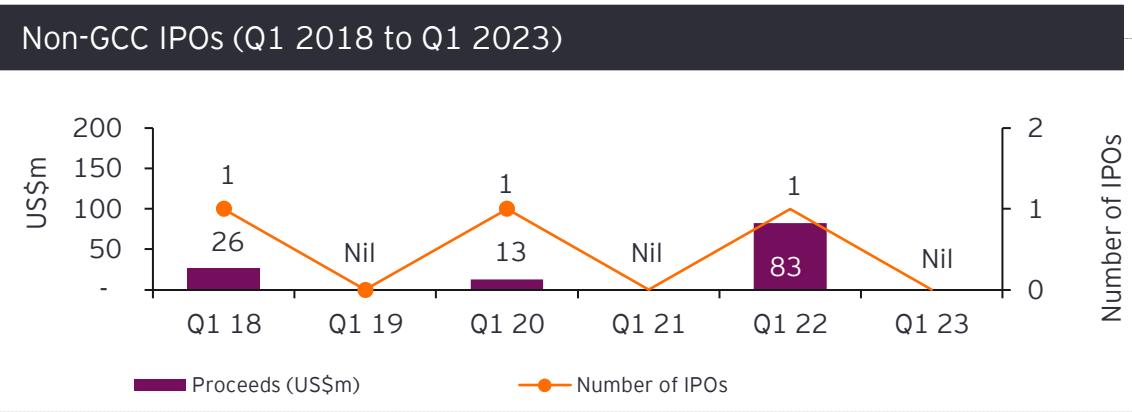
MENA IPO activity (Q1 2018 to Q1 2023)



GCC IPOs (Q1 2018 to Q1 2023)



Non-GCC IPOs (Q1 2018 to Q1 2023)



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

*Saudi Aramco listing

Sources: Refinitiv Eikon, S&P Capital IQ.

MENA equity markets

MENA exchanges performance



Volatility experienced during 2022 in MENA equity market performance continued into Q1 2023, due to rising interest rates, inflation concerns, unexpected global banking turbulence and geopolitical uncertainties which has impacted investor sentiment.

At the end of Q1 2023, six out of the 10 MENA IPOs from Q1 2023 had a positive return compared with their IPO price, with Presight AI Holding PLC achieving the highest gain of 146.3%.

With the continued devaluation of the Egyptian pound, the Egypt Stock Market (EGX30) had a volatile quarter; however, it finished the quarter achieving a 12.5% gain and continuing the 2022 trend of being the Middle East's best performer in Q1 2023. The MSCI Emerging Markets Index closed the quarter strongly with a gain of 3.6% followed by the DFM General Index closing at 2.1% higher for the quarter. ADX was the worst-performing market for the quarter closing with a 7.7% decline in performance. The Tadawul performance remained broadly flat.

MENA IPO performance for listed companies of 2023

MENA IPO pricing and performance: Q1 2023

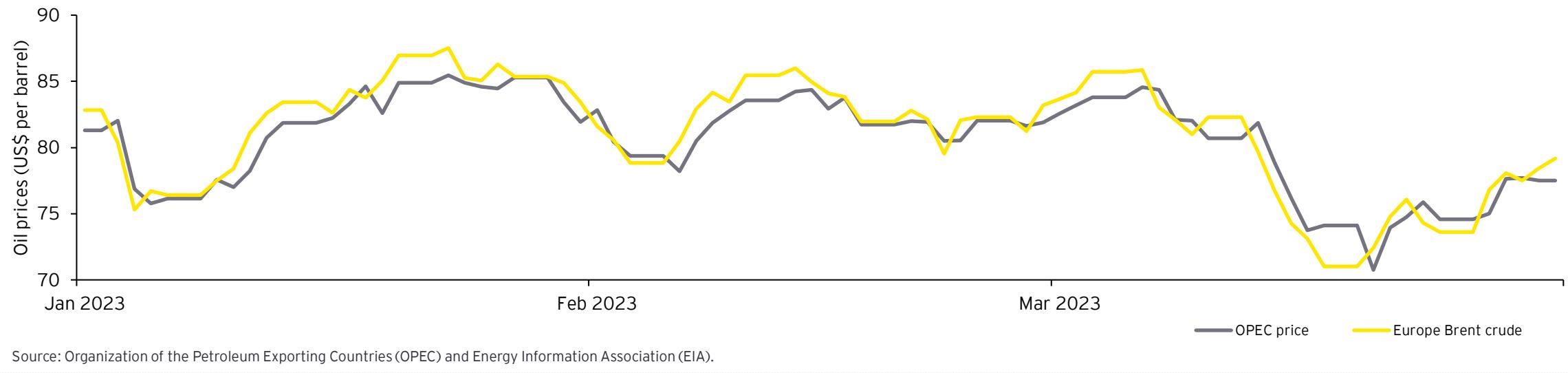
| Listing date | Issuer | IPO proceeds (US\$m) | IPO price (US\$) | First-day return | Share price performance percentage* | Sector | Exchange |
|--------------|------------------------------|----------------------|------------------|------------------|-------------------------------------|----------------------------------|----------------|
| 1 Jan 2023 | Leen Alkhair Trading Co. | 16.6 | 17.3 | -27% | -18% | Consumer products and retail | Tadawul (Nomu) |
| 10 Jan 2023 | Nofoth Food Products Co. | 11.5 | 39.9 | 0% | 17% | Consumer products and retail | Tadawul (Nomu) |
| 30 Jan 2023 | Alinma Hospitality REIT Fund | 136.1 | 2.7 | -5% | -10% | REIT fund | Tadawul |
| 8 Mar 2023 | Waja Co. | 10.9 | 24.0 | 22% | 38% | RE, hospitality and construction | Tadawul (Nomu) |
| 13 Mar 2023 | ADNOC Gas PLC | 2,476.4 | 0.6 | 19% | 27% | Oil and gas | ADX |
| 14 Mar 2023 | Abraj Energy Services SAOG | 244.3 | 0.6 | 17% | 20% | Oil and gas | MSX |
| 20 Mar 2023 | Knowledge Net Co. | 7.5 | 10.7 | 5% | -6% | Technology | Tadawul (Nomu) |
| 22 Mar 2023 | BENA Steel Industries Co. | 8.3 | 13.9 | -9% | -8% | Diversified industrial products | Tadawul (Nomu) |
| 26 Mar 2023 | Horizon Foods Co. | 15.8 | 9.9 | 21% | 9% | Food and beverage | Tadawul (Nomu) |
| 27 Mar 2023 | Presight AI Holding PLC | 496.1 | 0.4 | 143% | 146% | Technology | ADX |

Share price performance calculation: IPO price as compared with the closing price on 31 Mar 2023. "+" or "-" indicates change compared with the offer price at IPO.

Sources: Refinitiv Eikon, S&P Capital IQ, stock exchange disclosures.

MENA oil price performance

OPEC and Brent oil price



In the recent past oil markets have witnessed material volatility with prices being on a downward path since June 2022, when Brent peaked around the US\$115/bbl level, but by the end of 2022 had fallen to US\$80/bbl. During Q1 2023, Brent prices fell further to US\$70/bbl as a result of the uncertainty in the banking market. Prices are looking to recover to over US\$80/bbl in Q2 2023 following OPEC's announced production cut in early April 2023.

Going forward, the current broker and consultant consensus Brent prices are in the high US\$70/bbl for 2024 and then low US\$70/bbl for 2025. Over the past years the average long-term broker or consultant consensus Brent price has not moved materially, maintaining a level of around US\$70/bbl in real terms +/- US\$3/bbl. Analyzing a plausible range using a standard deviation of the average, or the central 68% of observations, gives a range of US\$64/bbl to US\$80/bbl for 2025. Therefore, while there has been near term price volatility, the longer-term consensus forecasts for 2025 and beyond have remained reasonably stable.

Sources: Bloomberg, CapIQ, Refinitiv Eikon, broker reports, consultant websites and reports.



MENA IPO market

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Despite the 33% y-o-y decline in number of IPOs in Q1 2023, MENA IPOs and trading activity remained strong, proving there is still strong investor confidence in the region.

Saudi Arabia continues to be the most active market in terms of number of IPOs. The largest IPOs continue to be dominated by the energy sector.

As we look ahead, the IPO pipeline is healthy and Q2 2023 is already off to a strong start with a number of announced regional listings.

Gregory Hughes
EY MENA IPO Leader

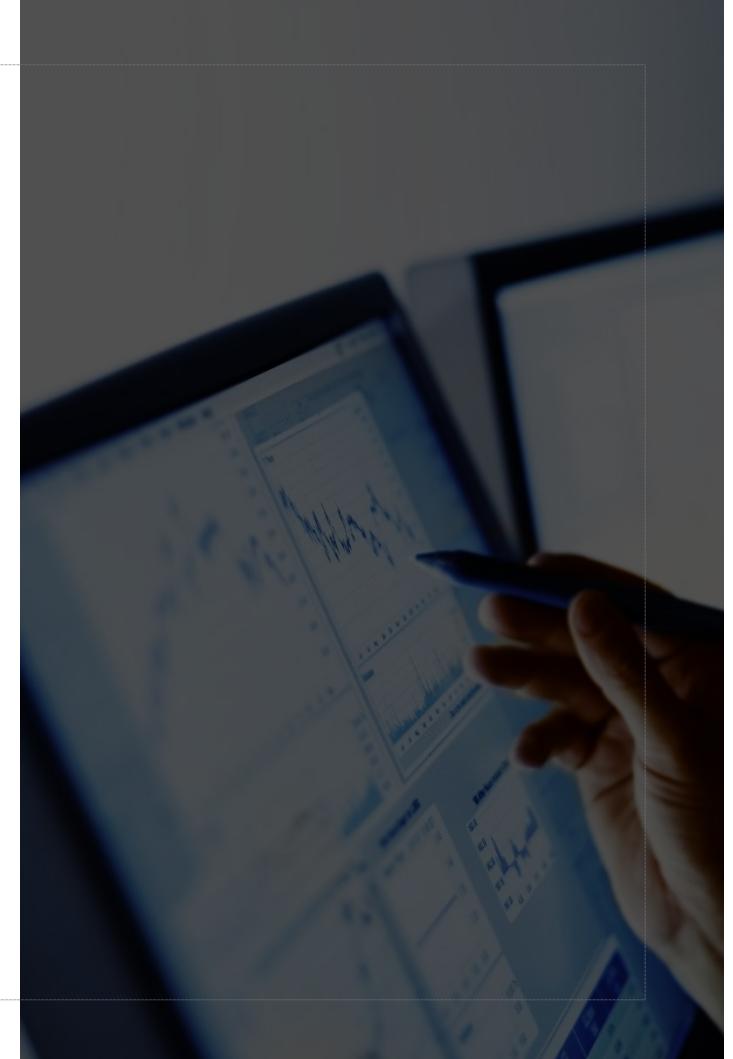
Key factors to consider for IPO candidates



- 1 → Inflation and interest rates
- 2 → Government policies and regulations
- 3 → Recovery of economic activities
- 4 → Geopolitical tensions or situations
- 5 → Global banking sector instability
- 6 → ESG agenda

IPO candidates seeking to go public will need to be well prepared

- ▶ Demonstrate resilience with innovative business models, agility in navigating supply chain constraints and macroeconomic challenges, strong working capital management and adapting to new ways of doing business.
- ▶ Be realistic and flexible about a lower valuation, given the increasing interest rates, and be well prepared to seize on the windows of opportunity when they open.
- ▶ Conduct extensive pre-marketing and pre-IPO funding, complete with cornerstone investors to mitigate uncertainty and improve pricing leverage.
- ▶ Consider the impact of geopolitical risks, macroeconomic factors (inflation and interest rates) and a changing regulatory environment (stock exchange reforms, securities regulations and environment, social and governance (ESG) requirements).
- ▶ Be able to clearly articulate an embedded ESG strategy and culture, from climate change mitigation initiatives to promoting board and management diversity.
- ▶ Consider all options, from alternative IPO process (direct listing or de-SPAC merger) to other financing methods (private capital, debt or trade sale).



IPO readiness assessment: how we help companies prepare for an IPO

Are you prepared?

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

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

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

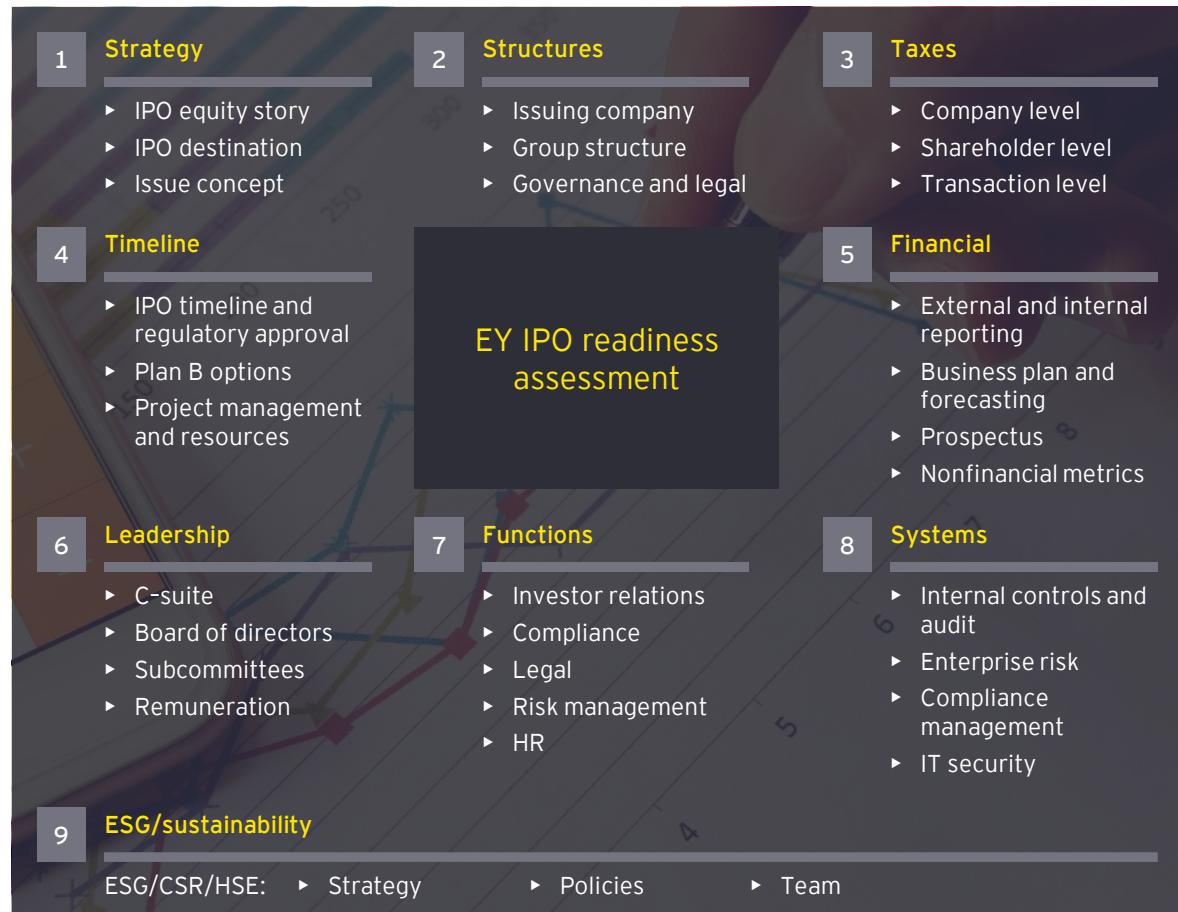
The EY IPO readiness assessment is designed to guide your company through a successful transformation from private to public status. Executives also want to understand more of the "measures that matter" and what it takes to win in the capital markets. Typical objectives are:

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

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

Start your IPO journey with an EY IPO readiness assessment.

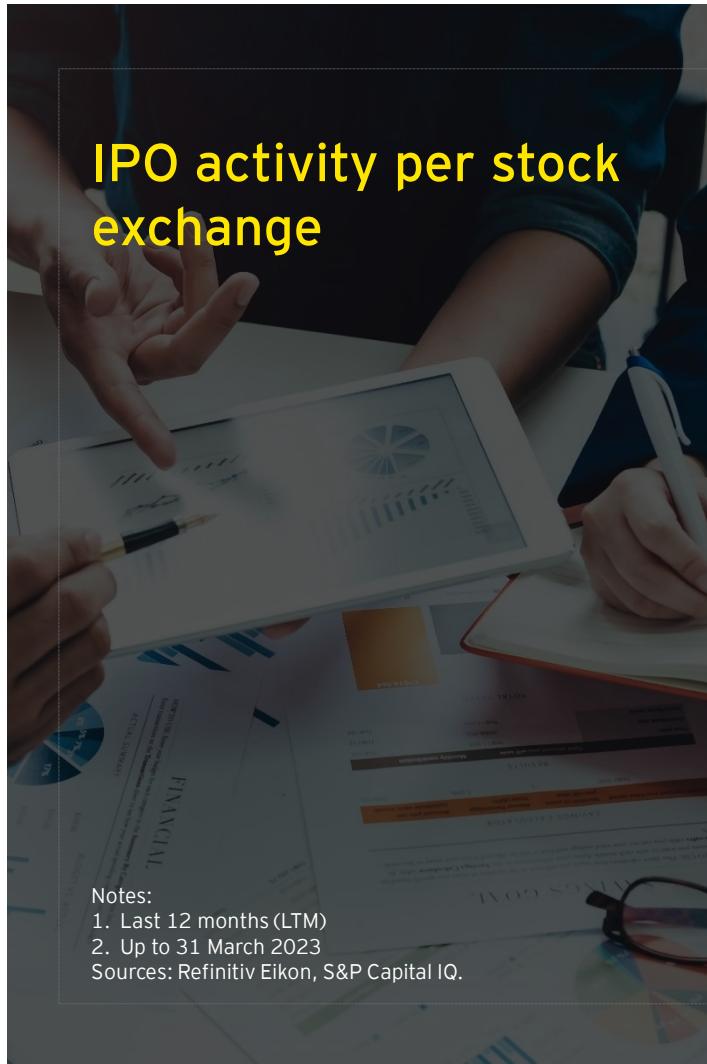
EY integrated assessment and program management of IPO readiness modules are tailored to suit each company's needs as it seeks to prepare the organization for a public listing event in the future. The core modules to consider are illustrated below.



02

Appendix

IPO activity per stock exchange



| Stock exchange | IPOs Q1 2023 | IPOs LTM ¹ Q1 2023 | IPOs since 2018 ² |
|---------------------|--------------|-------------------------------|------------------------------|
| Tadawul Main Market | 1 | 12 | 46 |
| Tadawul Nomu | 6 | 18 | 30 |
| ADX | 2 | 7 | 9 |
| DFM | 0 | 5 | 6 |
| EGX | 0 | 0 | 11 |
| Boursa Kuwait | 0 | 0 | 2 |
| MSX | 1 | 2 | 9 |
| Bahrain SE | 0 | 0 | 1 |
| QSE | 0 | 0 | 3 |
| Casablanca SE | 0 | 2 | 6 |
| Tunis SE | 0 | 1 | 3 |

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