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### What is the key component of a successful IPO?

The key component in an IPO is company preparation, and within that, a recognition of the change in mindset required by owners/management. The systems (financial, reporting, disclosure and corporate governance) that a company has to put in place are one element, but owners and management need to appreciate that the 'cost' of external capital is an acknowledgement that minority shareholders are part 'owners' of the company.

### What are the current trends of IPOs in the Arab region?

There remains a shortage of primary market transactions in the Arab region. Cyclical factors have not helped (market conditions will turn again), but the structural factors remain a larger concern; owners of businesses still look at the 'cost' of doing an IPO and are not always convinced that the 'costs' are worth the benefits. This is particularly true of family companies, who represent a large pool of potential listings. We have regular conversations with family businesses, who are the mainstay of many GCC economies, but who are reluctant to list. Historically, family-owned businesses have been hesitant to introduce external/minority shareholders and/or see their equity diluted. The PJSC structure with access to external capital and separation of ownership and executive management has been the most successful model worldwide, and one which is of great importance as family businesses plan for 3rd and 4th generation owners. This 'distrust' is changing slowly, and with the introduction of more market-based pricing techniques (e.g. bookbuilding in the KSA and UAE), more owners will be incentivised to list.

### What are the driving forces of the Arab securities market?

If we stick to talking about the primary market, the reduction in bank liquidity has to be a positive for the IPO market; the historic availability of cheap bank debt (albeit against personal guarantees) was a major competing



factor for the public markets, particularly given that such transactions are by their nature in the private domain. Future growth may not be so readily financed in this way and the relative lack of private-equity type financing (a big issue in the 'private for longer' trend in more developed IPO markets) means more owners will need to look to the public markets to grow. However, for this driver to really be impactful we need the regulatory burden to be reduced; family businesses in particular are reluctant to bear the 'costs', primarily disclosure and dilution, when considering listing. This does not mean less stringent regulation, but it does mean that the processes and procedures should be less intrusive generally and more transparent as a means of incentivising family-owned businesses to go through the uncertainty of a listing process.

### **How is the region moving from traditional practices towards modern and advanced methods of revenue generation through IPOs?**

Given the lack of recent deal flow, the region is still some way behind other markets. Arguably, the most positive change has been a move away from fixed price offerings aimed at local retail to a more balanced approach involving bookbuilding and foreign/regional institutions being involved in the primary market. Wherever necessary, local retail can still be protected using tranches and/or preferential allocation, but the involvement of foreign institutions in the primary market provides an additional source of demand and market discipline on pricing, which is an improvement on traditional practices.

### **What are you looking forward to at the Arab IPO Summit?**

It is always beneficial to bring together like-minded professionals; we hope that through a discussion of ideas and sharing of recent experience from market participants we will all be able to put into practice in our respective home markets mechanisms that will improve the IPO markets. Making access to public markets, particularly for family businesses, a higher priority around the region is a goal we can all aspire to and having the chance to discuss this is important.