

• TOP 100 CEOS •

NEW CHAPTER

Dana Nasser Al Sabah, Group CEO of the Kuwait Projects Company (Holding)—KIPCO— had a tough job ahead of her when she took the role at the beginning of the year. As she leads the company through a vital new merger, she's looking to further M&A activity to boost the company's performance.



BY LAYAN ABO SHKIER

Dana Nasser Al Sabah,
Group CEO of KIPCO.



IMAGE FROM SOURCE

Just

three months after Dana Nasser Al Sabah, Group CEO of KIPCO, took the top job in January 2022, she found herself making one of the biggest announcements in the company's 47-year history.

At its annual Shafafiyah (Transparency) Investors' Forum in April 2022, KIPCO announced that it was exploring a merger with one of its portfolio companies, Qurain Petrochemical Industries Company (QPIC). "We look to 2022 as the year of transformation for KIPCO," said Al Sabah in a statement at the time.

The year has started strong for KIPCO. It recorded profits of \$18.8 million in the first quarter, compared to a loss of \$24.2 million in Q1 2021. According to Al Sabah, this recovery was mainly driven by the group's banking, insurance and petrochemical businesses, with its real estate segment returning to positive operating revenue in 2022.

The latest results must come as a welcome relief for KIPCO. The QPIC merger is a dealbreaker for the group's financial survival, according to S&P Global Ratings, who placed the group on CreditWatch negative on May 28, 2022. This reportedly comes as a result of KIPCO's inability to reduce its leverage in 2021 despite a number of rights offerings, with its cashflow declining sharply due to the pumping of additional money into some important investments, according to S&P. Describing it as "a highly transformative event," the credit agency reports that the merger "would potentially limit further erosion in KIPCO's credit profile in the case of a successful completion."

Incorporated in 1975 and listed on the stock exchange in 1984, KIPCO today is 44.91% owned by the Kuwait ruling family's Al Futtooh Holding Company and



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42.8% owned by investment companies and other institutions. Many of its portfolio businesses today were acquired from the Kuwaiti government during a privatization plan in the mid-1990s. This has allowed the group's assets to grow over the years to reach \$34.6 billion as of March 2022, compared to \$220 million in 1990.

QPIC on the other hand was initially established in 2004 as a petrochemical firm, but since then has evolved into a holding company, with KIPCO owning 29.5% of the company as of June 2022. "We've realized that we now have two holding companies, so why not merge?" says Al Sabah. Both companies have distinct portfolios. KIPCO's core companies include the Burgan Bank Group, the Gulf Insurance Group, the United Gulf Holding Company, the United Real Estate, OSN, Jordan Kuwait Bank, Kamco Invest, United Industries Company, and QPIC, whose portfolio is focused on petrochemicals, foodstuff, healthcare, and logistics.

The merging of the two publicly-listed firms would not only create a "more agile and flexible" entity, according to Al Sabah, but it will also create one of the largest public companies in the region with combined assets of \$37.2 billion as of March 2022. As of June 2022, the combined market caps of KIPCO and QPIC stood at \$2.54 billion.

It is not KIPCO's first time entering into a merger. At the end of 2019, Kamco Invest—KIPCO's investment and asset management arm—completed a merger with the Global Investment House

(Global). Kamco's paid-up share capital stood at \$111.3 million at that time. Today, Kamco is one of the ten largest asset managers in the region. In June 2022, its market value hit \$122.6 million, with assets under management worth \$14.6 billion as of December 2021. Kamco is now advising on the KIPCO and QPIC merger, which was in some way inspired by the Kamco merger, according to Al Sabah.

Although Al Sabah has been leading KIPCO for a relatively short period, as a member of Kuwait's ruling family she is no stranger to the company. Her father, Sheikh Nasser Sabah Al-Ahmad Al-Sabah, was one of the founders of the Al Futtooh Holding Company in 1981. Al Sabah began her career in 1997 when she joined the company as a general manager. Over the next 25 years she shifted her primary focus to the education sector, establishing both the American University of Kuwait (AUK) and the United Education Company (UEC) in 2003. "I love education, but I felt I was more into the corporate world. I always aspired to be a businesswoman," she says. "When I joined Al Futtooh Holding Company, I started understanding the business, and so I joined some of the boards." She currently sits on the boards of the Gulf Insurance Group, OSN, Kamco Invest, and KIPCO, as well as chairing the board of trustees for AUK and the board of directors for UEC. She became Group CEO of KIPCO in January 2022.

For now, Al Sabah's focus is firmly trained on the QPIC merger, but she also has an eye on how to improve and expand its other existing businesses. "What we are looking for now is to transform our existing businesses into the digital space. Wherever we have the ability to transform our business digitally, we will do it," she explains. These plans include moving Burgan Bank into the Fintech sector and the Gulf Insurance Group into the insurtech field, Al Sabah adds.

Fadi AlAwami, Financial Advisor and Founder of The Consultation Center,

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explains why big groups need digitalization. "Without implementing a digital transformation strategy, large companies will suffer. We have witnessed the collapse of some large corporates," he says. "Digital transformation can help these companies to be more efficient in utilizing their resources, building an innovative culture that will attract good talent, enhancing their competition in the market, and building big data that can improve their products or services and create better customer experience."

KIPCO's TV and OTT service OSN became one of the first of its subsidiaries to digitize, with the launch of its online TV platform OSN Play in 2012, its mobile APP in 2016, and its streaming service WAVO in 2017 (which rebranded to OSN+

in 2020). According to Al Sabah, the streaming app is today "positively yielding subscribers." As of December 2021, the platform had 1.4 million users, including 620,000 OTT subscribers. However, with increasing competition from other streaming platforms, including Netflix, Amazon Prime Video, and Disney+, digitization alone is not enough anymore. "It's a challenging and competitive industry with piracy and global streaming wars that put pressure on pricing," says Al Sabah. Even Netflix has hit hard times, with its share price dropping from almost \$600 in January 2022 to \$167.5 in mid-June 2022.

"The streaming industry is getting crowded by newcomers from whom earlier pioneers used to source content. This will put pressure on companies like Netflix, and perhaps even OSN, to either pay more for the content or create their own," explains Amro Zakaria Abdu, CEO of Madarik Ventures. "In addition to that, the issue of net-neutrality places a huge risk to all streaming providers, or at least those who don't own internet delivery infrastructure. This is being challenged in the courts today and, if successful, it will make it very expensive for streaming platforms to deliver content efficiently to their customers."

However, with M&A at the front of the CEO's mind, she may have a solution. "Now it is a world of mergers and consolidations," she hints. If OSN does merge, it would be in good company. In 2019, Disney acquired Twenty-First Century Fox (21CF) for \$71.3 billion. In March 2022, Amazon closed its deal to buy the MGM movie studio. And a month later, in April 2022, WarnerMedia and Discovery announced that they were merging. "We are seeking partners to move forward," Al Sabah reveals. "We have



our plans without a partner, but I think partnership or consolidation is the next key move."

An M&A would not be new to OSN. It was established through a merger between KIPCO's satellite broadcast company Showtime and television company Orbit in 2009. "M&A in entertainment has always been part of the industry as it evolved from analog to digital and with looser regulations that allow the formation of ever bigger media conglomerates," adds Abdu.

As KIPCO explores its options for OSN, with or without a partner, its biggest challenge currently remains in closing its deal with QPIC. Having received approval from the Capital Markets Authority to merge, and with the valuation and fairness opinion reports approved by the boards of the two companies in June 2022, KIPCO is now just waiting to raise its capital by \$784.4 million, bringing the company's authorized, issued and paid-up capital to \$1.6 billion. Its new CEO is feeling positive. "We are confident that it will be done before year-end," Al Sabah assures. 

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Kuwait's Biggest Companies

The Forbes Global 2000 ranks the largest companies in the world using four metrics: sales, profits, assets, and market value. These three Kuwait-headquartered companies featured on the 2022 list. Financial data is as of April 22, 2022.

Global 2000 rank	Company	Sales	Profit	Assets	Market value	
733	National Bank of Kuwait (NBK)	\$3.82 billion	\$1.22 billion	\$110.92 billion	\$25.78 billion	NBK was founded in May 1952 and provides financial and investment solutions.
1086	Kuwait Finance House (KFH)	\$3.48 billion	\$483.8 million	\$72.95 billion	\$29.56 billion	KFH was founded in March 1977 and provides banking, finance and investment services.
1518	Agility	\$2.86 billion	\$3.24 billion	\$9.61 billion	\$8.5 billion	Agility Public Warehousing Co. was founded in May 1979 and provides logistics and warehousing services.