FINANCIAL SPEECH

FOR

FIRAS HASSAN

REVISED

Hello ladies (**Will this be a mixed audience? Not sure**), and gentlemen, distinguished guests and **(please use the correct form of address for the Governor of the Capital Market Authority**) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. It is a privilege to have the opportunity to speak to all of you today on a topic uppermost in our collective conscience, and it concerns the worldwide trend for Initial Public Offerings, how it affect us as a nation, and the role of the financial advisor in seeing such offerings come to fruition. We’ll discuss the highlights, advantages and challenges of such offerings, and I am sure you will all have greater clarity on the role of the financial advisor in this regard-after all, the function of a financial advisor is to bring clarity, order, and completion to intricate business dealings.

The American businessman and publisher, Henry Luce, said something very wise a long time ago. He taught us, “Business, more than any other occupation, is a continual dealing with the **future**; it is a continual calculation, an instinctive exercise in foresight.” The natural extension to that prophecy is for all of us, as individuals and as serious contenders in the financial marketplace, to consider the traction and ramifications of the practice of tendering Initial Public Offerings. As astute businessmen, we know what an IPO is. As a growing force in the increasingly ubiquitous modern financial arena, it is the mandate of every Saudi corporation to carefully examine and determine the benefits and cautions of floating an IPO for his or her company. The future is **now**. The thoughts you had ten minutes ago are verging on obsolete. We have the benefits of generations of tradition and fiduciary strength behind us as Saudi business people, and now it is time to earnestly prepare for the future by growing our presence and financial stature in the market through finding the means to sustain working capital while raising expansion capital.

We are blessed to live in a country known for fiscal and moral accountability. We have resources and capabilities that have been informed by generations of tradition and security, and now that we are well into the twenty-first century, it is time to examine our place in the world financial markets and seriously consider what it will take to advance our financial health, viability, and business presence in the future. One way of achieving this goal is to familiarize ourselves with IPO’s and employ the practice to strengthen current positions and future growth.

Initial Public Offerings are as old as antiquity. There is evidence that back in Ancient Rome, shares in business were offered by legal entities known as “publicani.” The concept is simple. Offer the public shares in one’s company to increase equity. That equity can be used for current operations or future expansion-whatever is required to buttress the strength of the particular business entity. Although the first Saudi entity go “public,” in a manner of speaking, was established about eighty years ago, the concept is fairly new (**According to my research, the company was Saudi Aramco which was a joint venture between Saudi government and two American oil companies which later became nationalized in 1980-I do not know if this is accurate, so I am mentioning it in this note if you want to include it**). The trend to go public picked up steam in the eighties and numbered about forty-eight public companies at the time. By 1995, that number had doubled, but subsequent years saw that amount diminish again, and as of September 2012, there were 156 publicly traded companies listed on Tadawul, the Saudi Stock Exchange (**please verify that is correct if possible**).

There are positives and negatives to any business venture or modification. We take a company public, allow investors and levels of employees to have a sense of ownership while securing finances, bringing the company’s reputation and product to the forefront, garnering media attention and interest from other sources, and in turn we have the opportunity to strengthen the company while boosting the local economy. There is also the added benefit of attracting top-drawer world-class talent to lead or support your company, which is something that is critical in the success of any serious corporate contender in this day and age. The downside can be overexposure, surrender of private control, increased vulnerability from publication of financial data and details, and of course, failure. We have all heard of incidents of famous IPO “flops.” Guess what? If we analyze how an IPO flopped and identified the trends and characteristics present in less than stellar IPO launches, then we can learn from those examples and avoid the pitfalls as we go forward. I also want to propose another concept-is there really such a thing as failure with regard to floating an IPO? Perhaps we can look at weak performance as a catalyst for change. The point is clear throughout all facets of this discussion-newer incarnations of corporate finance is a work in process. Bringing a company public is an opportunity to learn and grow and to potentially join a global financial community. Every action produces a result. It’s up to each one of us to be sure to invest the right amount of time and effort in due diligence-research, discovery, analysis, timing, proper capitalization and continued viability for the products and services offered.

The entire process is complicated, time consuming, filled with minutiae, and in a word, **daunting**. Details and regulations are being revised and updated on a regular basis. I’m sure none of us would steer a boat into unchartered waters without an experienced captain or guide and I would hope that none of us would risk billions of dollars in potential equity by not having an educated, dedicated and informed financial advisor to guide us through each step of the way of the offering and subsequent management of each newly public company. Just think of our new Governor of the Capital Market Authority. It’s really an honor to think that someone so highly capable and with such extensive experience acts as our guide and conscience through all phases of business. His appointment is truly a harbinger of how interrelated and universal our business world has become and can grow.

Unfortunately we do not have enough time today to go into great detail about the requirements of the CMA with regard to IPO’s, but as an example, (**Name 3 important regulations recently instituted by the CMA**) we now have \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ as guidelines to follow when contemplating an offering. Many of you may be wondering about the time frame required to float an offering, but any response would be nebulous. It all depends on how large your company is, the due diligence required, the particular blackout period called for in each instance, and the current financial strength of your company. As leaders, you also have to take into consideration the seasonality of your business. When, traditionally, does your business demonstrate the most core strength? When would be the best time to draw public attention to your business? How much scrutiny are you prepared to be subjected to? How much time might you need to get your company into the shape required to withstand the public overview-because analysts from all over the world will be watching. Keep in mind that as owners of private businesses, you are just that-private. But with an IPO, although all details will be openly available, as strong, successful business people of integrity, there is really nothing to hide.

As qualified and licensed (**?**) financial advisors, we have the ability and expertise to guide those in business through the necessary details required in completing all of the steps in this exciting process. It is because we have a clean independent third party view of the process that I am recommending that we offer an IPO Assessment Test, customized for each industry, and created in accordance with the Capital Market Authority, in order to bring clarity and a workable matrix to those of you intending to begin the steps required to take your companies public.

This is a very exciting time for our country and we have history, heritage, and unique products and services to bring to the market. I am thrilled to be involved in encouraging our traditional core strengths to be adapted in new ways and to insure a financially and universally fortified country for all of us, our families, children, clients, and workers today and into the future.

Thank you all!