

Aramco IPO

CRISIS MONITORING

❖ **Industry:** Oil and Energy

❖ **Use case type:** Global crisis monitoring, crisis assessment with actionable recommendations (CrisisReco24)

❖ **Description:** Follow the news flow during the early stage of the Aramco IPO announcement, capture and assess signals following our crisis predictive methodology. Work out recommendations around the stories with the highest crisis causing potential.

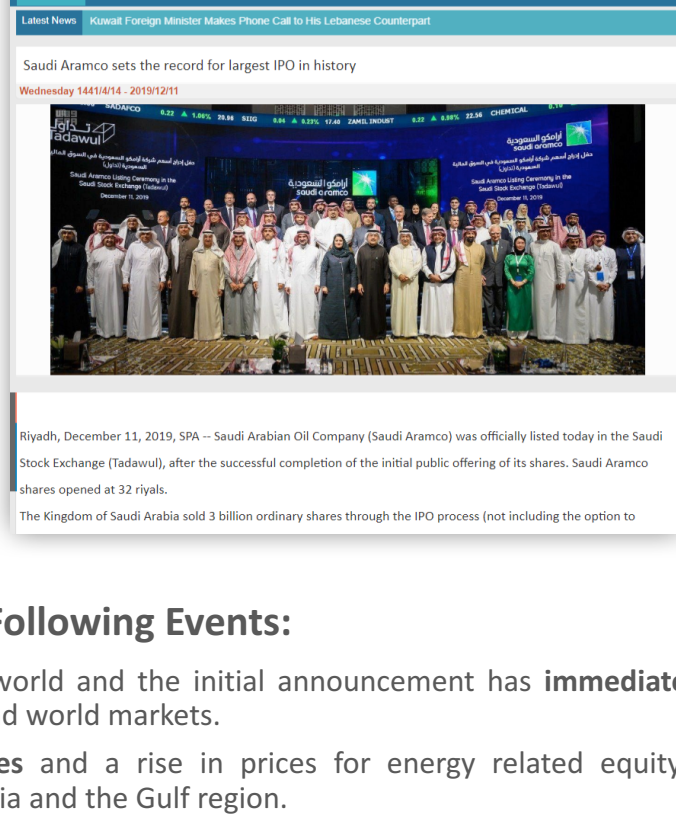
provided by 

TRIGGER

December 14, 2019

• **SPA releases article/Press release, announcing the Aramco IPO as the largest in history:**

“Riyadh, December 11, 2019, SPA -- Saudi Arabian Oil Company (Saudi Aramco) was officially listed today in the Saudi Stock Exchange (Tadawul), after the successful completion of the initial public offering of its shares. Saudi Aramco shares opened at 32 riyals.”

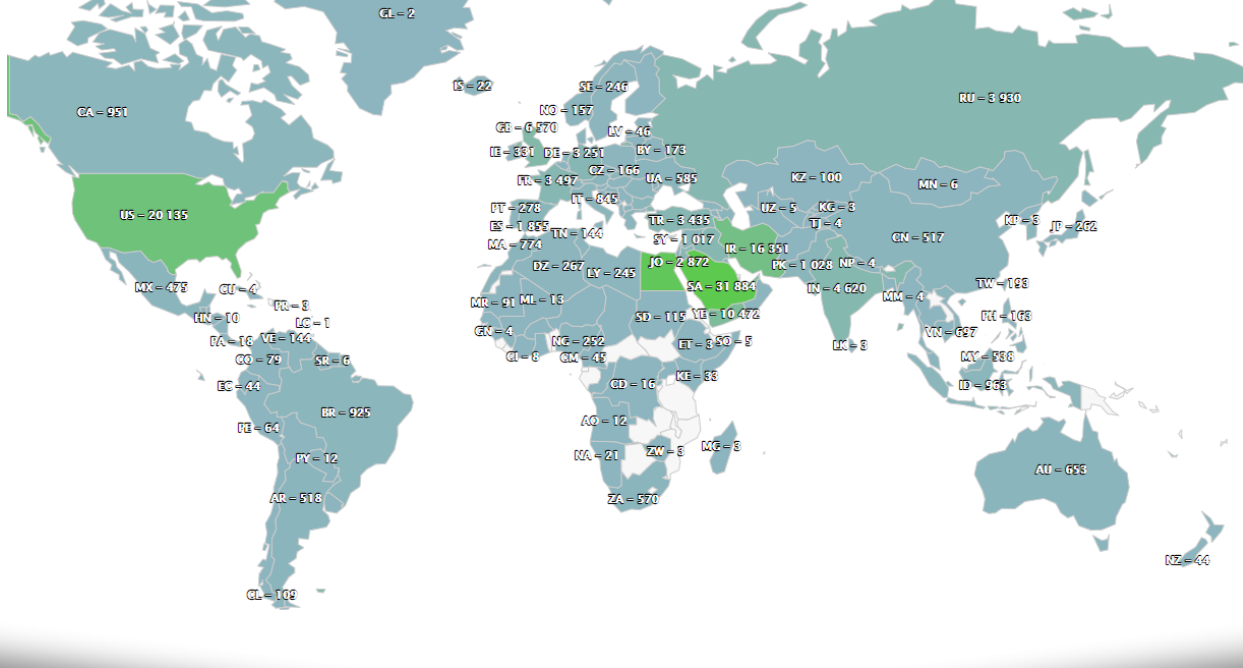


Chain of Following Events:

- The press release spreads around the world and the initial announcement has **immediate effects for the global financial system** and world markets.
- The effect is a **rise in global oil prices** and a rise in prices for energy related equity, particularly in the Kingdom of Saudi Arabia and the Gulf region.
- Positive public engagement and business **optimism prevails** in the immediate days following the issuance of the SPA article with most **business analysts** citing the net positive effects for the Saudi economy and for the future of Aramco and its role in the diversification of the Saudi economy (implementation of Vision 2030)

HARVESTING & FLAGGING

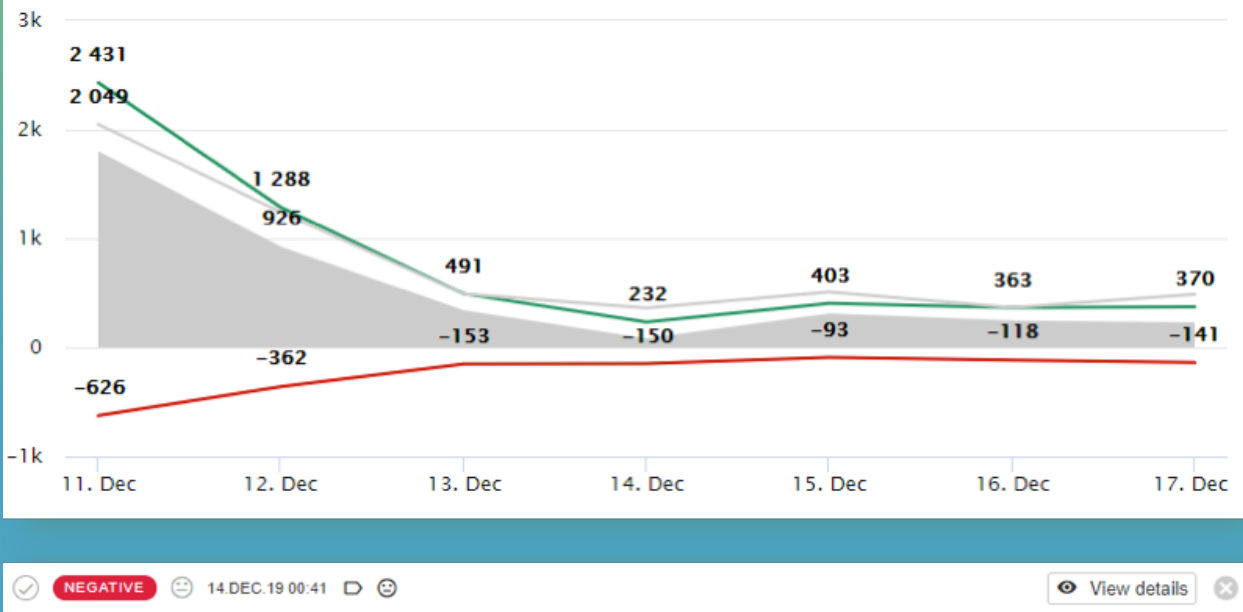
The CrisisReco24 process was right after the Press Release dissemination. The Sensika system was set to collect relevant information from all over the globe. Within the first hour post trigger, the analysis team had enough data to start the second stage – the News Triage.



NEWS TRIAGE

The Sensika team used several AI models to separate the Tier 1 news from the less credible Tier 2 and 3, and applied powerful algorithms to categorize them in 3 groups:

- 1) POSITIVE NEWS 2) NEGATIVE NEWS 3) CRISIS NEWS



NEGATIVE 14 DEC. 19 00:41 View details

On Aramco and MBS, I'm Not Buying - WSJ
On Aramco and MBS, I'm Not Buying - WSJ The sale this week of a small stake in Saudi Aramco, the Dhahran-based oil company, bears a sickly resemblance to a similar deal three years ago involving Russia's Rosneft. When no foreign buyer could be found at a price acceptable to Vladimir Putin, a sham sale was ginned up that subsequently was subsumed in...

NEGATIVE 14 DEC. 19 02:38 View details

iPhones could get \$150 more expensive for Apple if Trump's tariffs go into effect Sunday
... ratings from analysts, with a consensus price target of \$264.01, according to Bloomberg data. Now read more markets coverage from Markets Insider and Business Insider: Saudi Aramco isn't the best-performing stock debut of the day. Brazilian finance firm XP skyrocketed 24% in its multibillion-dollar IPO. A hedge fund-backed art dealer just lost an...

POSITIVE 14 DEC. 19 14:32 View details

Der Kapitalmarkt als Lokomotive der Wirtschaft
...n amerikanischen Börsen gelisteten Unternehmen, beträgt 30 Billionen Dollar. Die neben der gerade erst an die Börse gegangenen staatlichen Ölgesellschaft Saudi-Arabiens, Saudi Aramco, beiden einzigen Aktiengesellschaften, deren Börsenwert jeweils 1 Billion Dollar übertrifft, haben ihren Hauptsitz in Amerika: der Elektronikhersteller Apple und der S...

POSITIVE 15 DEC. 19 15:07 View details

Aramco shares up 1.6% in third consecutive day of gains
DUBAI (Reuters) - Saudi Aramco shares gained for a third consecutive day on Sunday, rising 1.63% to 37.4 Saudi riyal (\$9.97), pushing the company's value back towards the \$2 trillion level it topped last week. The state-owned oil company listed 1.5% of its shares at 32 riyals on Riyadh's Tadawul exchange on Dec 11 in the world's largest initial pub...

Classified as:	Classified as:
Positive	Moving away from Positive
<ul style="list-style-type: none"> • The reaction of the local media is overwhelmingly positive. Press and television as well as social media across the GCC are effusive in praise and applaud the ability for Aramco to raise money for Saudi national transformation objectives. 	<ul style="list-style-type: none"> • As coverage moves away from the GCC region, however, the media reaction is more reserved while still being positive, particularly in MENA countries that are aligned to KSA. • Some sceptical editorial/opinion pieces cite the lack of international investors in the initial subscription of shares as well as rumours of pressuring local family offices to purchase shares. • Western media outlets note the historic achievement of the IPO, but are decidedly negative in their reporting of the announcement. • The only outlier from the positive GCC coverage is in Qatar, where media reaction is decidedly mixed due to the ongoing political dispute between KSA and Qatar.

First Story Framing Pattern Uncovered:

- Particular attention must be given to the way the Western outlets “frame” the Aramco IPO story: Most western reports paint a picture in which the valuation is **over-inflated due to KSA government meddling**.
- Furthermore, frame of the story develops into the claim that **KSA government intervention is required** to maintain the high valuation. In other words the “frame” is one where the truth is being manipulated to suit KSA needs.
- This “frame” is typical of many western media outlet approaches to Gulf country announcements that **seem too good to be true**.

Issues I & II Classification

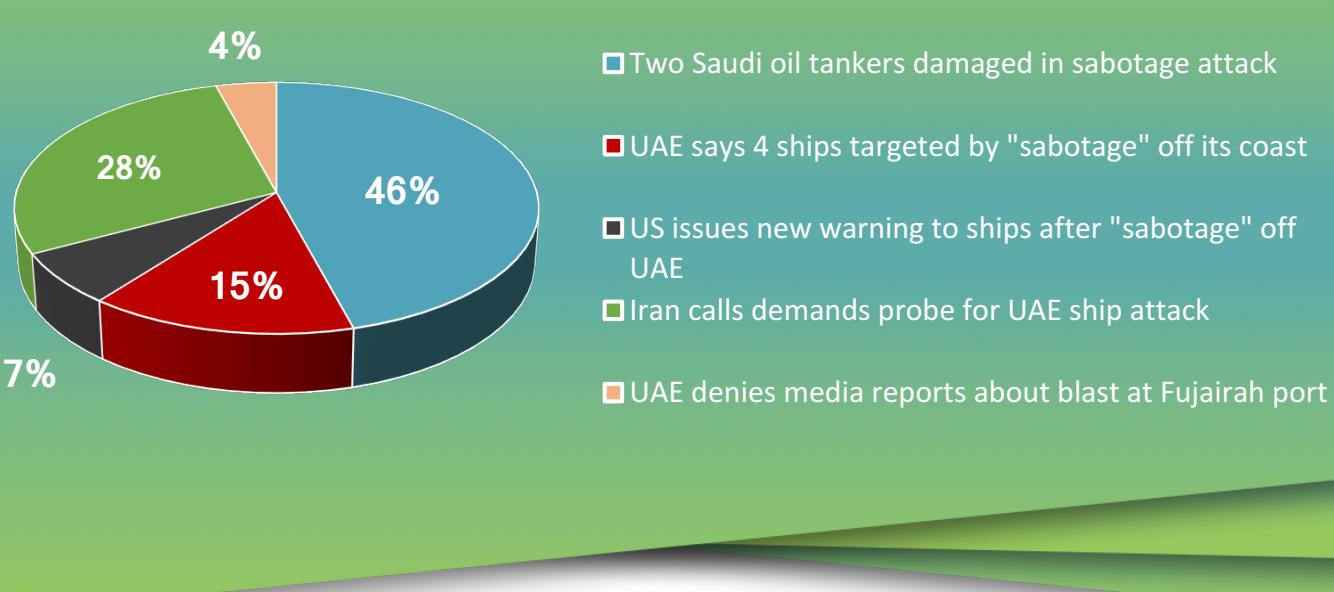
Next, the team derived the first issues from the news stories. They were classified based on their impact and time (reputation, cost etc.). Prioritization is given to issues that can become a crisis. Those are addressed with highest priority.

Issues I Assessment

- With the Aramco IPO in the rear-view mirror of history and a new year punctuated by geopolitical crises, the fundamentals regarding the price of oil are erratic with threats of war causing spikes in the overall price of oil futures.
- Ongoing global economic challenges include slow growth in region’s where Saudi and GCC oil demand is the highest. The impact has resulted in a high degree of oil price fluctuation with an emphasis on an overall drop in the price of oil. Because of slowing economic demand and the integration of geopolitical risk into existing pricing, the trend is for an ongoing weakening of the price of oil.
- This means the value of Aramco stock is likely to continue to de-value in the short and medium term translating into a fall in the valuation of Aramco as a corporation.
- With a slow slide in the price of Aramco stock and its overall valuation, there could be an increase in public perception that Aramco stock prices will require KSA government intervention to “prop up” its value.
- While global public perception of the Aramco IPO, and its subsequent valuation as a company, is largely apathetic, a challenge could arise should KSA and Aramco leadership pursue an aggressive narrative and advocacy strategy of company resilience, company success, and “everything is fine” messages. The public won’t believe it.

Issues II Assessment

The team conducted an assessment of news stories, also preceding the Aramco IPO, to evaluate their further potential of developing into crises.



RECOMMENDATIONS

Based on the issues identified and their importance assessment – the team developed the following recommendations:

Recommendation #1:

Centre the “transformation” messages around helping the next generation of KSA society.

Why:

A focus on youth and the next generation of KSA society will help to address global public perception that KSA leadership is uncaring about the “have nots”. Instead, it sends a pro-social message that incorporates other key messages such as Vision 2030 and a need to focus on Sustainable Development

Considerations:

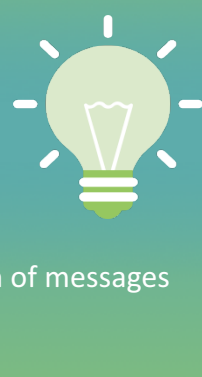
- 1) This recommendation might be ignored by those who refuse to view the KSA government and Aramco leadership as caring. However, this could be offset over time as KSA assumes leadership of the G20 and adopts a sustainable development agenda
- 2) The risk of the global public disbelieving such a message remains high in the absence of a positive view and country image around the world. Recent tourism initiatives will not change this perception in the short-term.

Recommendation #2:

Disseminate a series of strategic messages that emphasize Aramco’s continued commitment and importance to the transformation of KSA. This will start to “change the channel” from valuation narratives to one that is more multi-faceted.

Why:

To attempt offset the negative framing engendered by valuation stories from and to change the “frame” of global perception towards “transformation” and a “better future for KSA society.”



Considerations:

- 1) This recommendation will require sustained and iterated dissemination of messages over the course of at least a six-month period
- 2) Despite efforts, the negative frame of KSA government “mistrust” could still prove to be powerful and diminish the impact of this recommendation

Recommendation #3:

Aligned to the “transformation” message is the proposal that consideration should be given to position Aramco at the center of a pro-active sustainable development agenda for the country.



Why:

Placing Aramco – an oil and gas company – at the centre of a KSA sustainable development strategy allows for the corporation to be included and viewed as a pillar for sustainable development and economic diversification solutions

Considerations:

- 1) Initiating such a strategy may be met with resistance and inertia from Aramco leadership as they do not have the requisite sustainable development agenda know how to leverage Aramco revenue towards a development action plan.
- 2) Global investors may view such an approach as deviating from Aramco’s core business thereby weakening the rationale for investment in the company.

Recommendation #4:

Consideration be given to embedding Aramco within existing international sustainable development and economic diversification coalitions, particularly as KSA assumes leadership of the G20 in 2020.

Why:

Having Aramco become part of an international coalition of government and non-state actors seeking solutions would enhance Aramco’s status as a premier organization seized with finding “transformation” and economic development solutions for its citizens and give it international credibility in non oil and gas elite circles.



Considerations:

- 1) The expectations of success will likely rise by KSA citizens as well as global actors and the public. This could place undue pressure on Aramco which may not be equipped to dealing with development issues in the short-term.

REPORT DELIVERY

End

