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## MARKETS

# Saudi Aramco Raises \$12 Billion in Debut Bond Sale

Investor interest will be an important bellwether for the oil giant's initial public offering

*By Rory Jones and Summer Said in Dubai and Avantika Chilkoti in London*

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Saudi Aramco raised \$12 billion in its debut international bond Tuesday, according to people familiar with the sale, an issuance that sparked massive interest among investors eager to access the world's most profitable company.

Government-owned Aramco, known officially as Saudi Arabian Oil Co., received more than \$100 billion in orders for its bond and had been expected to raise about \$10 billion from the sale. Saudi officials are likely to view the large investor interest as a positive bellwether for the oil giant's potential initial public offering, which is expected in 2021.

"I think this is a prelude to listing," said Conrad Saldanha, equity portfolio manager at Neuberger Berman Group LLC. "This is the biggest oil-production firm in the world. It looks interesting in that respect."

The company is bigger and more profitable than Apple Inc., Alphabet Inc. [GOOGL -0.46% ▼](#) and Amazon.com Inc. combined. The oil firm's disclosure of its books via the bond sale is the first step toward a potential public listing.

Saudi Crown Prince Mohammed bin Salman has said a listing of Aramco is one of the central elements of a multiyear economic and social-reform program in the kingdom. He wants the country's sovereign-wealth fund to use the proceeds to invest in new technologies and industries that diversify the economy beyond oil.

Demand for the Aramco bond has come despite international criticism of the kingdom over the murder of journalist Jamal Khashoggi and its treatment of social and political activists. The killing deterred some foreigners from investing in the kingdom, but debt and equity investors have been eager to buy into Saudi Arabia's economic reform story.

The debt sale involved five different bond types, with maturities ranging from three years to 30 years, according to people familiar with the sale.

The yields available on the Aramco bonds were lower than those on Saudi government debt of similar maturities, according to yields provided by people close to the sale. That indicates the strong demand for the debt.

Corporate bonds usually yield higher than the sovereign debt of the country where they are based. But credit-rating agencies last week said Aramco's debt was limited by the firm's ties to the sovereign and would be rated higher on a stand-alone basis, indicating its bonds might yield below Saudi Arabia's.

"They got what they wanted," said one investor. "They borrowed at a cheaper rate than the sovereign."

Yerlan Syzdykov, head of emerging markets at France's Amundi SA, says this week's oversubscribed deal provides the Saudi Arabian government with a platform to push through major reforms at Aramco and raise further capital.

"They do need to establish their presence in capital markets so they can tap into these markets in future," Mr. Syzdykov said, adding that appetite for any future IPO will rest on Saudi Arabia's decision on size, pricing and choice of jurisdiction for the deal.

An Aramco IPO was originally earmarked for 2018 but stalled over valuation concerns and objections among some Saudi officials that raising debt was cheaper, and less hassle, than allowing investors to buy into the company. Prince Mohammed valued the company at \$2 trillion but analysts put the figure below \$1.5 trillion.

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Since then, the Saudi government has pushed Aramco to buy the Saudi sovereign-wealth fund's majority stake in the country's petrochemicals giant, Saudi Basic Industries Corp., or Sabic.

The proceeds of Tuesday's bond sale are expected to help fund that \$69.1 billion acquisition, which is anticipated to close next year.

Although some Saudi officials were worried about opening up Aramco's books to the public via an IPO, the marketing prospectus for the oil firm's bond last week disclosed financial statements for the first time, showing it is the world's most profitable company.

In 2013, Verizon Communications Inc. sold \$49 billion of bonds on orders of \$100 billion, the last time a corporate saw such high demand.

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The \$100 billion figure likely overstates the true demand for Aramco's debt. Investors traditionally submit larger bond orders to popular debt sales than the number they want to boost their chances of ultimately being allocated a decent amount. Bankers also normally cut the yield on offer to whittle away some of the order before allocating bonds to investors who really want them.

"Aramco's debut bond issue has achieved its goal of capturing the interest of international investors," said Nick Wilson, chairman of Gulf Investment Fund PLC. "With this level of demand, the Saudi government may well feel that further

bond issuance is a simpler way to raise cash from their flagship asset than the scrutiny and publicity required for an equity IPO."

Saudi Arabia's own debt sales also have been popular. The kingdom has sold close to \$60 billion in bonds in the past three years, becoming one of the biggest issuers of debt among emerging markets. In January, the sovereign issued \$7.5 billion in bonds, drawing \$27 billion in orders.

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