



The Cambridge Security Initiative

SAUDI ARABIA: ARAMCO'S POLITICISED VALUATION

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Despite international investor scepticism, Saudi Arabia has managed to rally sufficient local and regional support to achieve Crown Prince Muhammad bin Salman's (MBS) long touted [\\$2 trillion valuation for Aramco](#), after trading on the Tadawul stock exchange. The Kingdom undertook several public steps in recent months to secure a solid valuation for the nation's crown jewel. Until September 2019, the head of Aramco was also Energy Minister. The decision to [separate the two portfolios](#) was an attempt to ally investor concerns over government interference in the company. Interest free loans to Saudi nationals, and guaranteed returns sought to lure in the Kingdom's wealthiest families. Most significantly, offering just [1.5 per cent of Aramco's shares to investors](#), and placing these in the hands of primarily Saudi elites, has made the trading of shares a predominantly patriotic and political endeavour. As the [political round up of November 2017](#) demonstrated, MBS has not hesitated to exert pressure on prominent Saudi individuals to compromise their financial position if the 'national interest' is at stake.

OUTLOOK

Aramco's IPO has not been the resounding international political and economic success in diversifying the Saudi Arabia's economic base that MBS once hoped it might be. By selling Aramco solely to itself and its political allies, the Riyadh has raised some much needed cash but remains fundamentally reliant on flagging oil prices. In the medium term, a future listing in Asia is considerably more likely than Aramco shares trading on the stock exchange in London, Paris, or New York. Aramco appears unwilling to provide the level of transparency required for international investors and this unlikely to be resolved in the short to medium term. Tension between Aramco's growth as a company and Saudi's historic inclination to limit output to stabilise global oil markets will deter investors who are not also oil dependent. Ultimately, this politicised valuation is a testament to how far the Saudi regime will go to realise its prestige projects and an indicator of how MBS is likely to approach other key aspirations of his [Vision 2030](#): if international concerns stand in the way of a Saudi success story, the regime will find support closer to home in the quest to score a short term political win, whilst putting off the longer term goal of real diversification or meaningful change.