

# Magnit IPO heralds good year for Russians

**RUSSIAN IPOs are set for a successful 2008 as food retailer Magnit announced plans to raise \$500m in a London listing. This follows the completion of Black Earth Farming's \$256m IPO at the end of 2007.**

Olive Holbourn, co-head of equity capital markets syndicate at Merrill Lynch, said: "Issuance from emerging markets is likely to grow substantially again in 2008 and Russia, Turkey, and the Middle East in particular are likely to see strong double digit growth. However, a number of larger deals in Russia may wait until after the outcome of the presidential elections early in March before launching."

A banker working in the Russian market said: "If everything goes well in the Russian presidential election I would not be surprised if the volume of issuance is 20%-30% up in 2008 compared with 2007."

Magnit has selected Deutsche Bank and Morgan Stanley to manage the IPO, which is expected in April.

The plans, made public by Russian daily newspaper *Vedomosti*, were announced as a record year for the Russian IPO market drew to a close.

Businesses operating in Russia raised \$18.15bn through 17 IPOs, compared with \$16bn raised through 14 share offers in 2006, according to Dealogic. The largest deal in 2007 was the \$8bn IPO of VTB Bank.

A banker working in the Russian market said: "Despite the large sum of capital raised, 2007 was a tough year. A lot of share issues are already in the pipeline, but it will be much harder for those companies to attract investor demand."

The last of the year's deals to price was Black Earth Farming, a land owning company incorporated in Jersey and operating in Russia.

The company appointed Öhman Fondkommission as bookrunner and Nomura as joint lead manager for the sale of Swedish Depository Receipts (SDRs). At Skr50, the SDRs were priced at the upper end of the Skr43-Skr53 range.

The offer represents new shares in the form of 33.6m SDRs or 28.1% of the company's outstanding share capital post-IPO. Trading on

the Stockholm stock exchange started on December 28 and the shares reached Skr51.50 in trading yesterday (Thursday).

Black Earth's market capitalisation after the offer reached \$911m. There is an over-allotment option of 4.8m SDRs, or 15% of the base deal size.

More deals are already in the pipeline, but bankers are reluctant to reveal names as many share offers are still at an early stage.

Bankers expect fertilizers producer Acron, already traded in Russia on RTS, to list 20% of its share capital in London in a deal that could raise up to \$1bn. Chemicals producer Uralkhim is also expected to raise money in the stock markets.

Some commentators expect metals and mining company Rusal to try to tap the equity market in 2008 after the company postponed a \$7.5bn listing in September 2007.

Deutsche Bank, Morgan Stanley and JP Morgan are said to be managing the deal. A banker commented: "The IPO of Rusal is a rumour that constantly comes up. It is, however, a transaction that would always get away."

German Gref, chief executive of Russia's state owned Sberbank, has announced that it plans to list existing shares in London in 2008 but did not give an exact timing. Sberbank completed an \$8.8bn domestic rights issue in February 2007.

## Uralsib plans three offers

Oleg Lukhton, head of corporate finance at Russian bank Uralsib, has said the bank is working on share offers by three Russian companies in 2008. He added that the deals were postponed from last year, but would not provide details.

The three Uralsib deals would amount to \$2bn, according to reports. For two of them, a dual listing is planned, while the third firm will only list in Russia.

In the first half of 2007, Russian companies raised \$15.7bn on the London Stock Exchange and accounted for 77% of the capital earned on the LSE for the period.

Lukhton said one of the difficulties Russian firms face in London listings is their use of ac-

counting standards that differ from International Financial Reporting Standards.

The Russian presidential election, scheduled for March 2, adds uncertainty to the IPO market. A banker working in the Russian equity market said: "The political situation is very stable in Russia. The elections in the Duma have shown that Putin's policies are supported by the people."

The elections of the Russian parliament on December 2 resulted in a majority for the largest party, United Russia, which is supported by president Vladimir Putin.

The banker said: "The presidential elections in March are causing little uncertainty in the country; it is clear that current policies will be continued and there is no change in the economic strategy."

So the mood remains positive at Uralsib, which published a research report predicting the main Russian trading index RTS will gain 33% this year despite "an inevitable global slowdown in 2008".

## Difficult outlook

For the property sector, 2008 is set to be a difficult year. After a number of deals were completed in 2007, such as the \$772m IPO of St Petersburg LSR Group, the IPO of Teorema was scrapped due to weak investor demand.

A banker involved in LSR Group's IPO said: "LSR Group was a success. It is a slightly different company, because it is operating in the building materials business as well as a property business."

He added: "The sentiment for the property market is not very good at the moment. There is no direct impact from the credit crisis, but some investors, especially from the US, have difficulties in differentiating between the markets. When sentiment in general is bad, it is difficult to tell investors, who have become very picky, that one particular market is booming."

Another banker added: "For property transactions, investor sentiment has changed. There are a lot of companies out there trading. With investors much more discerning, it is a tougher market as they are expecting discounts."

# Iberdrola's record Spanish IPO fails to impress everyone

**THE IPO of Iberdrola Renovables has been increased to Eu4.48bn from Eu4.07bn after the greenshoe option was executed.**

The option consists of 76.8m new shares and increases the freefloat of the company to 20%. The share offer was arranged by Merrill Lynch as global co-ordinator. BBVA, Credit Suisse, JP Morgan and Morgan Stanley were bookrunners.

The IPO, the largest share offer from Spain and also the largest listing in the renewable energy sector, did not achieve the degree of success analysts had expected.

The shares were priced at the bottom of the Eu5.30-Eu7 range when the deal was closed on December 11. The offer was only 1.6 times oversubscribed.

A banker involved in the deal said: "In 2007, investors were fatigued by new issues, which is why Iberdrola priced sensibly. The deal was less heavily subscribed than it would have been if it were earlier in the year."

However, since trading commenced on the Spanish Stock Exchange on December 13 the shares have gained 9%, closing yesterday (Thursday) at Eu5.77.

The banker commented:

"The market has welcomed the news that the banks were able to exercise the greenshoe, and that is reflected in the share price."

He did not see the pricing as an indicator for the market this year, saying: "I don't think that you could read into a single deal what the market is going to be like in 2008."

The energy and power sector saw record issuance in 2007 with \$42.6bn raised, an increase of 16.5% from the previous year.

## TURKEY

Türk Telekom intends to sell 15%-20% of its capital in an

initial public offering in May, which it is estimated will raise up to \$2bn.

The plans were announced by the chairman of the privatisation agency Metin Kilci.

The Turkish government holds a 45% stake in Türk Telekom, with the remaining 55% in the landline operator having been sold when the company was privatised in 2005.

The share sale will be part of a privatisation programme backed by the International Monetary Fund, Turkey's big lender. The country aims to earn a total of \$10bn from privatisations this year.