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## Investor interest high for Al Batinah, Al Suwadi Power IPOs



By A Staff Reporter

MUSCAT — The Initial Public Offerings (the IPOs) of Al Batinah Power Co SAOG (under transformation), and Al Suwadi Power Company SAOG (under transformation) on May 11, 2014, drew huge investor interest and a large number of institutional investors and high net worth individuals from the Sultanate attended investor roadshow presentations for the IPOs.

The joint investor roadshow held in Muscat was well attended by a wide cross-section of investor groups, including institutional investors, high net worth individuals and established family offices. This event follows meetings held since the launch of the IPOs by the CEOs with a number of key investors in the Sultanate.

The CEOs of the two companies fielded questions from the attendees and received a positive response from investors to the strong commercial story and sector-leading returns of the IPOs.

Przemek Lupa, CEO of Al Suwadi Power, said: "I am glad to see the buzz and enthusiasm surrounding this twin offering, not only from Omani investors, but from all around the GCC. The offerings bring together attractive sector and country opportunities, strong partners, highly competitive power facilities, predictable cash flows, and all this

in an IPO priced at a 40-60 per cent discount compared to DCF valuation."

Jürgen De Vyt, CEO of Al Batinah Power Company, said: "As these two IPOs come simultaneously to the market, investors are recognising an attractively priced opportunity to diversify their investment by subscribing to two offers at the same time, and to become co-shareholders alongside robust and committed partners such as GDF SUEZ and the Suhail Bahwan Group."

As stated during the investor roadshow, both IPOs have been priced similarly, so as to offer to investors an average projected dividend yield of 8.1 per cent per annum for the first five years (excluding issue expenses) and an IRR of c.14 per cent. Given these consistent and attractive returns, the IPOs are also expected to attract significant interest from smaller investors as well.

A well proven contractual framework for gas supply and off-take arrangements with the Government of Oman also underpins the commercial strength of the IPOs. "The companies are not exposed to fluctuations in power demand and gas prices. Our respective power purchase agreements with OPWP mean that, subject to the plants being available for dispatch, our earnings will not be impacted by changes in the market," Przemek Lupa, CEO of Al Suwadi Power said.

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**Power companies' IPOs attract strong response**

Al Batinah Power is offering existing shares at a price of 128bz per share while Al Suwadi Power is offering the same at a price of 130bz per share

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## Power companies' IPOs attract strong response from investors

**Our Correspondent**  
Muscat

Following their launch on May 11, the initial public offerings (IPOs) of Al Batinah Power Co and Al Suwadi Power Co are attracting a strong response from investors, as interest in both IPOs gathers pace.

According to company officials, a large number of institutional investors and high networth individuals in Oman have attended investor road-show presentations for both the IPOs. The joint investor road-show held in Muscat was well attended by a wide cross-section of investor groups, including institutional investors, high networth individuals and established family offices, and received a positive response from investors.

At a press conference on Wednesday, Przemek Lupa, CEO of Al Suwadi Power, said, "I am glad to see the buzz and enthusiasm surrounding this twin offering, not only from Omani investors, but from all around the GCC. The offerings bring to-



Przemek Lupa, CEO of Al Suwadi Power

gether attractive sector and country opportunities, strong partners, highly competitive power facilities, predictable cash flows, and all this in an IPO priced at a 40-60 per cent discount compared to the DCF (discounted cash flow) valuation."

Lupa said that both the IPOs have been priced similarly, so as to offer to investors an average

projected dividend yield of 8.1 per cent per annum for the first five years and an internal rate of return (IRR) of 14 per cent. Given these consistent and attractive returns, the IPOs are expected to attract significant interest from smaller investors as well.

"The companies are not exposed to fluctuations in power demand and gas prices. Our



Jürgen De Vyt, CEO of Al Batinah Power

pective power purchase agreements with OPWP mean that, subject to the plants being available for dispatch, our earnings will not be impacted by changes in the market," said Lupa.

"While changes in demand for power may result in seasonal swings in revenues, these do not affect our ability to deliver returns to shareholders, since the

same swings will be observed in our costs. The returns only rest on our ability to keep the plants efficient and reliable," Lupa added.

Jürgen De Vyt, CEO of Al Batinah Power, said, "As these two IPOs come simultaneously to the market, investors are recognising an attractively priced opportunity to diversify their investment

by subscribing to two offers at the same time, and to become co-shareholders alongside robust and committed partners such as GDF SUEZ and the Suhail Bahwan Group."

The officials of both companies said that a proven contractual framework for gas supply, and offtake arrangements with the government, also underpins the commercial strength of the IPOs.

Both IPOs will close on June 9, 2014, and the expected date of listing of the shares of both companies is June 23, 2014.

Lupa said from the yield perspective, both companies are an attractive proposition, with steady dividends to be paid twice in a year. "Both companies offer a higher dividend yield than the average for listed comparables on the MSM. The first dividend will be paid immediately after the listing of shares in June 2014," he said.

Al Batinah Power is offering 236,210,601 existing shares at a price of 128bz per share (comprising a nominal value of 100bz, share premium of 26bz and issue expenses of 2bz) totalling RO30.2mn. Al Suwadi Power is offering 250,042,219 existing shares at a price of 130bz per share (comprising a nominal value of 100bz, share premium of 28bz and issue expenses of 2bz) totalling RO32.5mn.



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# Power firms project 8.1% dividend yield per annum

Al Batinah Power and Al Suwadi Power officials said that the high dividend yield of these two firms is against an industry average of 6.5 per cent in Oman and they expect to attract significant interest from small investors

*Times News Service*

**MUSCAT:** Al Batinah Power and Al Suwadi Power, which have floated initial public offerings (IPOs) on May 11, said the average projected dividend yield for investors will be 8.1 per cent per annum for the first five years. Given these consistent and attractive returns, the share offers are also expected to attract significant interest from smaller investors.

Addressing the media, the company officials have said that the high dividend yield of these two firms is against an industry average of 6.5



**WOOLING INVESTORS:** The shareholders of both companies are divesting 35 per cent of their holding, aggregating to OMR62.7 million. — Jan Estrada/Times of Oman

per cent in Oman and an average dividend yield of 3.9 per cent in the case of MSM 30 companies.

Both power producers, which started operation in April 2013, are planning to offer dividend to shareholders in June and November this year.

The shareholders of both companies are divesting 35 per cent of their holding, aggregating to OMR62.7 million. In each IPO, 65 per cent of the shares made available for subscription have been reserved for investors applying for a minimum of 1,000 shares and a maximum of 600,000 shares, and the balance 35 per cent of the shares have been reserved for investors applying for 600,100 shares or more, up to the maximum application amount. The IPOs will close subscription on June 9 and the share will be listed on June 23.

"I am glad to see the buzz and enthusiasm surrounding this twin offering, not only from Omani investors, but from all around the GCC. The offerings bring together attractive sector and country opportunities, strong partners, highly competitive power facilities, predictable cash flows, and all this in an IPO priced at a 40-60 per cent discount compared to DCF valuation," said Przemek Lupa, CEO of Al Suwadi Power.

#### Attractive price

"As these two IPOs come simultaneously to the market, investors are recognising an attractively priced opportunity to diversify their investment by subscribing to two offers at the same time, and to become co-shareholders alongside robust and committed partners such as GDF SUEZ and the Suhail Bahwan Group," added Ju-

rgen De Vyt, chief executive officer of Al Batinah Power Company.

Both power projects, built with a combined capital expenditure of \$1.7 billion, constitute 27 per cent of Oman's installed power capacity of 5,600 megawatt.

A well proven contractual framework for gas supply and off-take arrangements with the government of Oman also underpins the commercial strength of the IPOs. "The companies are not exposed to fluctuations in power demand and gas prices. Our respective power purchase agreements with Oman Power and Water Procurement Company mean that, subject to the plants being available for dispatch, our earnings will not be impacted by changes in the market. Whilst changes in demand for power may result in seasonal swings in revenues, these do not affect our ability to deliver

returns to shareholders, since the same swings will be observed in our costs. The returns only rest on our ability to keep the plants efficient and reliable," Lupa added.

Highlighting the importance of efficiency and reliability, Jürgen De Vyt, said: "We can call upon our experienced shareholders in case of any technical issues that might arise. For example, we have access to GDF Suez's global network of experts, which is responsible for more than 113,000 megawatt of power capacity globally, equal to more than 20 times the total contracted power capacity of Oman's Main Interconnected System (MIS)."

"OPWP and our companies have since inception agreed on a contractual arrangement with low tariff in the winter and high tariff in the summer, which encourages us to pay attention to reliability when we are needed most. We welcome such a structure, given the importance of power for Oman in the summer months. While this leads us to show negative results in winter months (October to March), the very profitable summer months do more than compensate for this seasonality, leading to our robust and stable annual Ebitda of about OMR28 to 30 million for each company. As such, our results have exceeded expectations in the first year of operations, having delivered a record 99.7 per cent availability (for Al Suwadi Power) and 99.9 per cent availability (for Al Batinah Power) in 2013," Lupa added.



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# Big investors for Batinah, Suwadi subscription 'expected in June'

Staff reporter

OMAN TRIBUNE

**MUSCAT** Many institutional investors are expected to apply for subscription to the initial public offerings (IPOs) of Al Batinah Power, and Al Suwadi Power only in June, DGM Investment Banking and Financial Institutions Group, Bank Muscat, Abdullah Al Hinai told *Oman Tribune* on Wednesday.

"From past experience, we know that large institutional investors come only in the last week. That is because they do not want their money to lie idle, earning no returns. While small investors have already started subscribing," Al Hinai said, on the sidelines of a presentation of the two IPOs, which close on June 9.

Hinai, whose bank is the financial adviser and issue manager, said shares will be



Officials seen at the presentation of Al Batinah, Al Suwadi IPO.

credited to the subscriber's account two to three days before June 23, from when they can start trading on Muscat Securities Market.

Meeting to be held in August will elect new boards of directors and amend the articles of association.

Suwadi CEO Przemek Lupa said there was enthusiasm for this twin offering in Oman and the GCC states. They bring together "attractive sector and coun-

try opportunities, strong partners, highly competitive power facilities, predictable cash flows, and all this in an IPO priced at a 40-60 per cent discount compared to discounted cash flow (DCF) valuation."

Batinah CEO Jürgen De Vyt said: "Investors are recognising an attractively priced opportunity to diversify their investment by subscribing to two offers at the same time, and

to become co-shareholders alongside robust and committed partners such as GDF SUEZ and the Suhail Bahwan Group."

Batinah chief financial officer Mitsuo Nakamoto said dividends are expected to be declared in June of 1 baisa per share and Nov-Dec. at 4.8 baisas per share.

For Suwadi, it is expected to be 1 baisa per share and 4.9 baisas per share during the same period.



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## POWER COMPANIES' IPOs ATTRACT STRONG RESPONSE FROM INVESTORS



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“While changes in demand for power may result in seasonal swings in revenues, these do not affect our ability to deliver returns to shareholders, since the same swings will be observed in our costs. The returns only rest on our ability to keep the plants efficient and reliable,” Lupa added.

Jürgen De Vyt, CEO of Al Batinah Power, said, “As these two IPOs come simultaneously to the market, investors are recognising an attractively priced opportunity to diversify their investment by subscribing to two offers at the same time, and to become co-shareholders alongside robust and committed partners such as GDF SUEZ and the Suhail Bahwan Group.”

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## Power firms in Oman project 8.1% dividend yield per annum



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#### **Attractive price**

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