

Kazakhstan eyes London and Hong Kong for IPOs

Privatisation drive is part of plan to transform nation into modern market economy

By James Kynge, Emerging Markets Editor

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Kazakhstan is throwing the London and Hong Kong stock exchanges into competition with each other to host the share flotations of the central Asian nation's largest companies, including Air Astana, the national airline, and KazMunaiGas, the state-owned oil and gas company.

The privatisation drive is part of a plan to transform [Kazakhstan](#) from a state-dominated post-Soviet republic into a modern market economy driven by private enterprise. The aim is to cut the level of state-ownership in industry from the current level of about 70 per cent to 15 per cent after the privatisation programme is completed in about 2021, officials said.

The proposed share offerings involve five companies with an estimated book value of up to \$6.5bn, but Astana is unsure whether it will choose Hong Kong, London or elsewhere as the venue for the listings, which could start in 2017, according to Dauren Tasmagambetov, a director at Samruk-Kazyna, the national wealth fund.

“Potentially it is possible that all five listings will be outside Kazakhstan,” Mr Tasmagambetov said in an interview with the FT. “In the case of KazMunaiGas there is a sense that this should be a dual listing [in Kazakhstan] and somewhere else. We are planning to conduct a number of [marketing] events next year, one in London and the same event in Hong Kong.”

Asked whether London or Hong Kong was likely to become the preferred destination, Mr Tasmagambetov said: “Let's see what our independent advisers recommend.”

One of the first companies slated to launch an initial public offering is Air Astana, which is 51 per cent owned by Samruk and 49 per cent by BAE Systems, Europe's largest defence contractor. The IPO is likely to involve the sale of a minority share because of Samruk's plans to

keep a minimum stake of 26 per cent in the company, said Mr Tasmagambetov, who heads Samruk's assets privatisation and restructuring department.

Kazakhstan's government had originally hoped to float its leading companies on a stock market in the Astana International Financial Centre (AIFC), which is touted as a future Dubai-style enclave run according to English law and furnished with an independent court. However, the AIFC is not likely to be up and running until 2018 at the earliest, meaning it may not be in time to catch the country's first big share offerings.

"If the AIFC is not ready, then we will definitely not do the listing [in Kazakhstan]," said Mr Tasmagambetov.

Aside from Air Astana and KazMunaiGas, the three other state-owned companies slated for share offerings are Kazakhstan Temir Zholy, the national rail company, Tau-Ken Samruk, the national mining company, and Samruk Energy, an electricity utility, Mr Tasmagambetov said. These listings are scheduled to be completed by 2021, and may be followed by others.

In advance of its planned listing Samruk Energy is set to sell off majority stakes in four subsidiaries including a power plant and electricity distribution companies, Mr Tasmagambetov said. Tenders for the four stakes open in January.