

# Privatization in difficult international market conditions: IPO and other alternatives

Deutsche Bank presentation at Belarus Investment Forum

Minsk, 3 December 2008



**Reinout Koopmans**  
Managing Director,  
Co-Head of Equity Capital Markets,  
Central and Eastern Europe

**Elena Yassik**  
Senior Associate,  
Equity Capital Markets,  
Central and Eastern Europe

A Passion to Perform.

Deutsche Bank



# Deutsche Bank's global footprint in 75 countries



Equity underwriting

Equity institutional  
market share

Distribution footprint

Equity trading  
dominance

M&A Advisory

Debt Capital Markets

Local presence in the  
CIS

Deutsche Bank



## Deutsche Bank – Leading equity franchise in the CIS (2007 – 2008YTD)

	Bookrunner	US\$ (bn)	Market share (%)
1	Deutsche Bank	6,298.4	13.9
2	Credit Suisse	5,354.7	11.8
3	Renaissance Capital	4,975.9	11.0
4	JP Morgan	4,778.7	10.6
5	Morgan Stanley	4,517.2	10.0
6	Citigroup	4,091.2	9.0
7	Goldman Sachs	2,597.9	5.7
8	Troika Dialog	1,950.1	4.3
9	ABN AMRO Rothschild	1,391.4	3.1
10	Credit Suisse	1,072.7	2.4

## Deutsche Bank – track record in the CIS

Russia

 **Globaltrans**

US\$449m

Initial Public Offering

Sole Global Coordinator and  
Joint Bookrunner  
April 2008

**MATHNT**

US\$€487m

Follow-on Offering

Joint Global Coordinator and  
Joint Bookrunner  
April 2008

 **M.video**  
mvideo.ru

€253m

Initial Public Offering

Sole Global Coordinator and  
Joint Bookrunner  
November 2007

 **PIK**  
GROUP

US\$1.9bn

Initial Public Offering

Joint Global Coordinator and  
Joint Bookrunner  
May 2007

 **VTB**

US\$8.0bn

Initial Public Offering

Joint Global coordinator and  
Joint Bookrunner  
May 2007

Deutsche Bank



## Deutsche Bank – track record in the CIS (continued)

### Ukraine

 **FERREXPO AG**

**US\$419m**

Initial Public Offering

Joint Bookrunner  
June 2006



**Ukrainian Government**  
**US\$1,000m**  
Bond Issuance

Joint Bookrunner  
June 2005

### Kazakhstan



**£1.5bn**

Initial Public Offering  
Sole Global Coordinator and  
Joint Bookrunner  
December 2007



**€569m**

Initial Public Offering

Joint Global Coordinator and  
Joint Bookrunner  
December 2006

Deutsche Bank



# Emerging markets decoupling story 'on hold'?



Source: Bloomberg, November 2008

# Debt costs surging

### Country CDS spreads

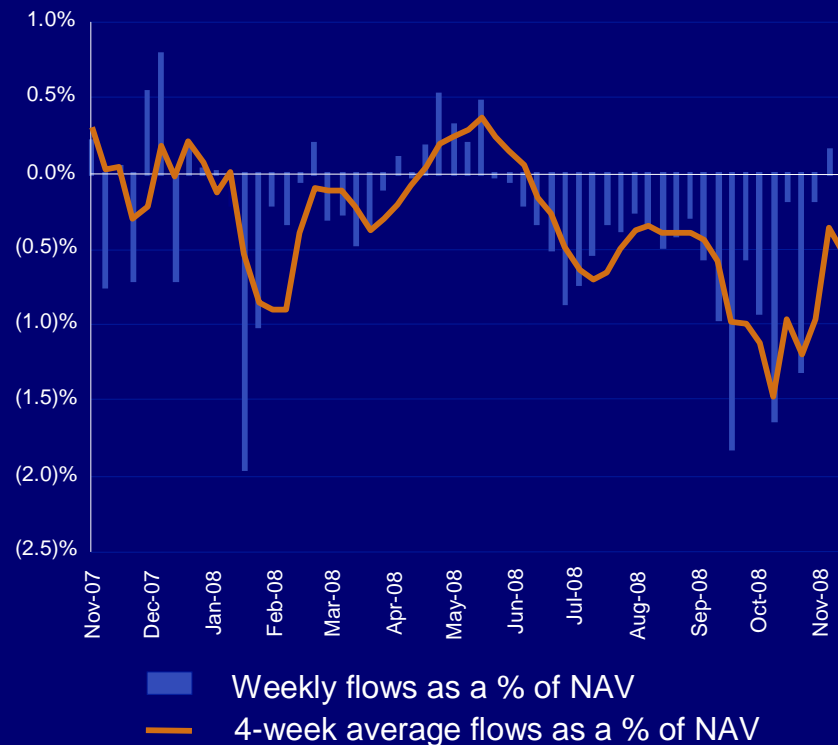


### Banks CDS spreads



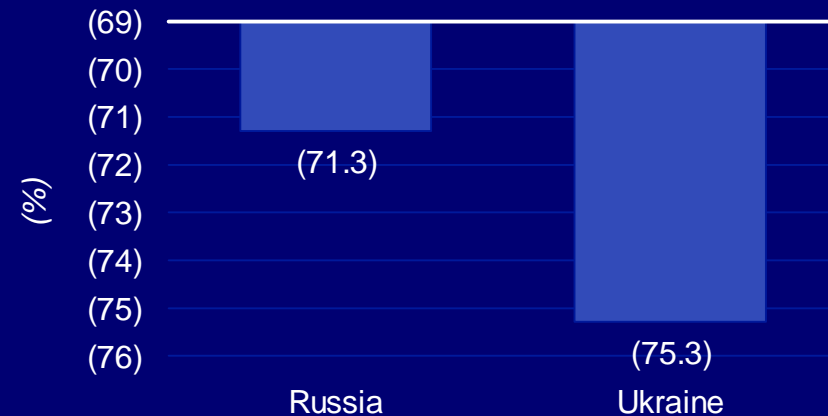
# Recent significant outflow of capital to be compensated by government funds

## Emerging market funds flow



Source: EPFR/ Deutsche Bank Equity strategy

## Index performance – 2008 YTD [TBU]



Source: Dealogic, October 2008

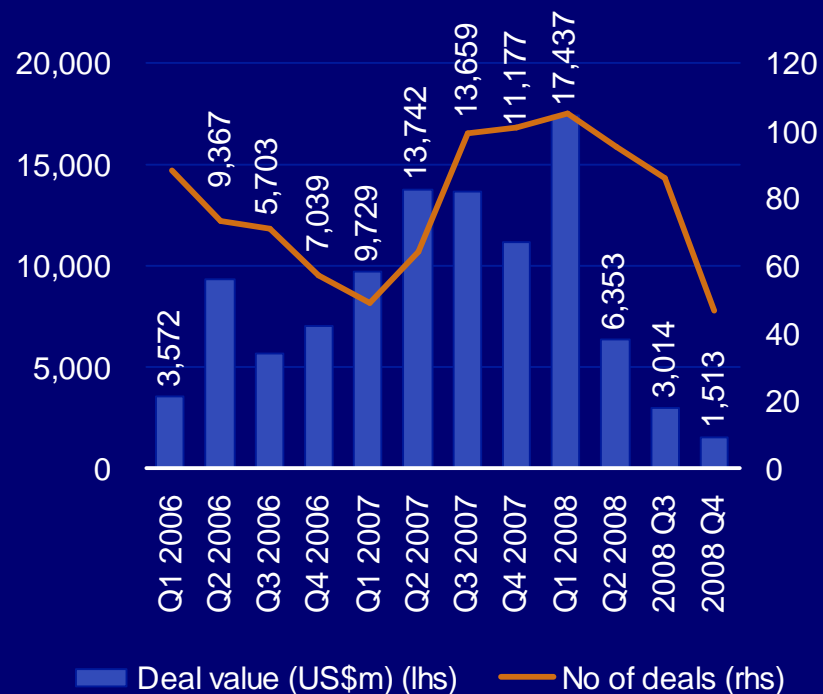
## Belarus liquidity measures

- n National Bank of Belarus requested a US\$2bn loan from IMF
- n Russian US\$2bn stabilisation loan for 15 years

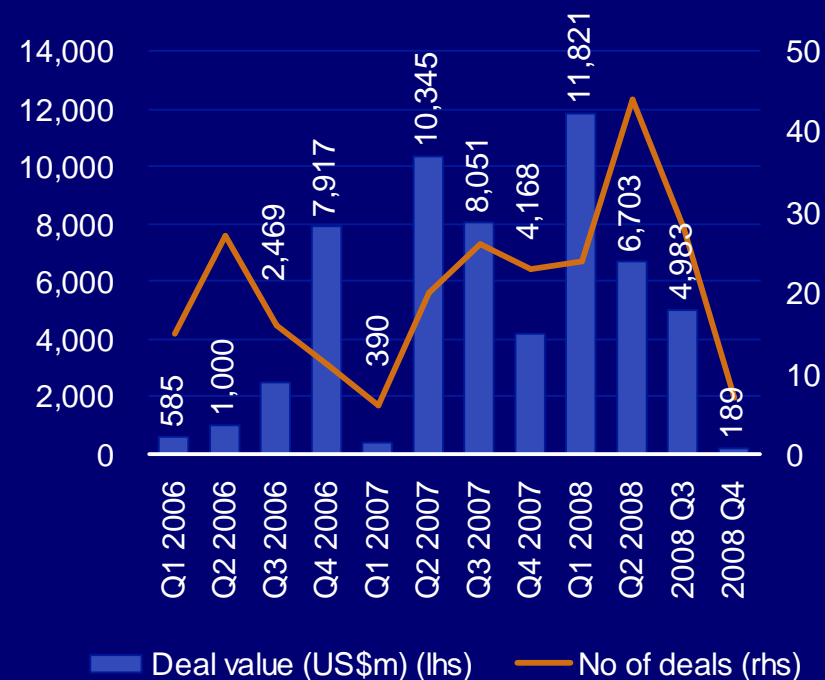
Source: IMF

# CIS M&A activity

**M&A volumes from outside CIS into CIS**  
(2006 – Q3 2008)



**M&A volumes from CIS to rest of the world**  
(2006 – Q3 2008)

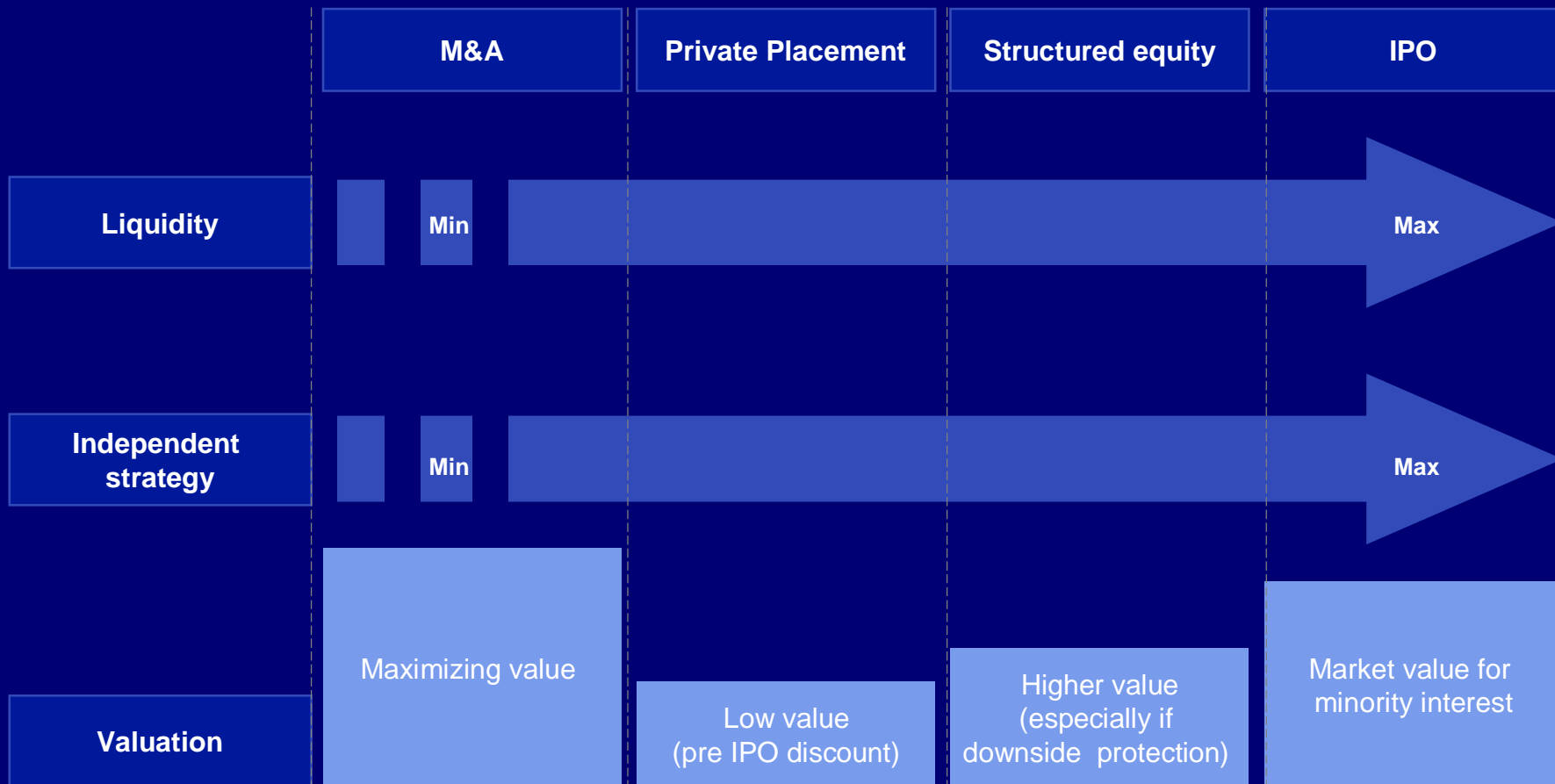


Source: Dealogic, November 2008

# Comparison of key equity capital raising alternatives

Type	Description	Characteristics
<b>Strategic sale (M&amp;A)</b>	n Sale of control or joint venture (sale of minority stake plus option for control in the future is possible)	<ul style="list-style-type: none"> <li>ü Immediate cash act at premium</li> <li>ü Access to expertise and technologies of the buyer</li> <li>ü Loss of control and possibility for equity upside</li> </ul>
<b>Private placement</b>	n Sale of minority stake to a limited number of investors (with limited rights to participate in management)	<ul style="list-style-type: none"> <li>ü Quicker and simpler way to receive financing</li> <li>ü Keep the control</li> <li>ü No public stakes</li> <li>ü More expensive financing</li> <li>ü Participation in the Board may be required</li> </ul>
<b>Structured equity</b>	n Structured debt product with possibility to convert into the shares	<ul style="list-style-type: none"> <li>ü Quick way of getting financing</li> <li>ü Guaranteed return/downside protection required</li> </ul>
<b>IPO</b>	n Public offer to a wide pool of investors	<ul style="list-style-type: none"> <li>ü Market valuation</li> <li>ü Open up future M&amp;A / follow on activity</li> <li>ü Keep the control</li> <li>ü Long preparation and high one off and ongoing costs</li> </ul>

# Comparison of key equity raising alternatives



# Potential rationale for IPO – pros and cons

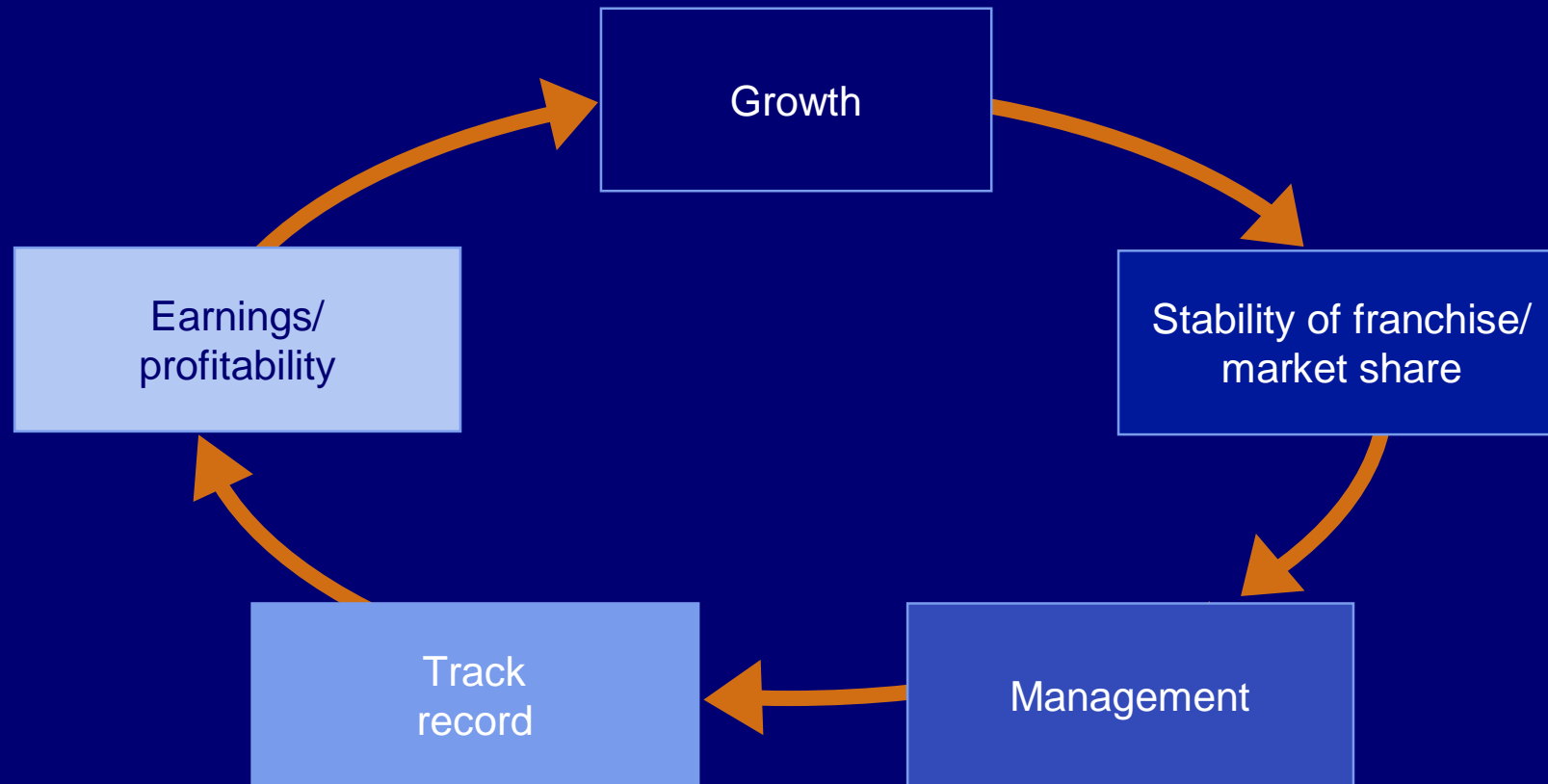
## IPO pros

- ü Discover the market value
- ü Confirmation of ownership rights
- ü Raising finance
- ü Open up for future M&A activities/exit
- ü Improve transparency and corporate governance
- ü Implementation of long-term management incentive programme
- ü Image enhancement, visibility and brand awareness
- ü Common route for privatisation in many countries

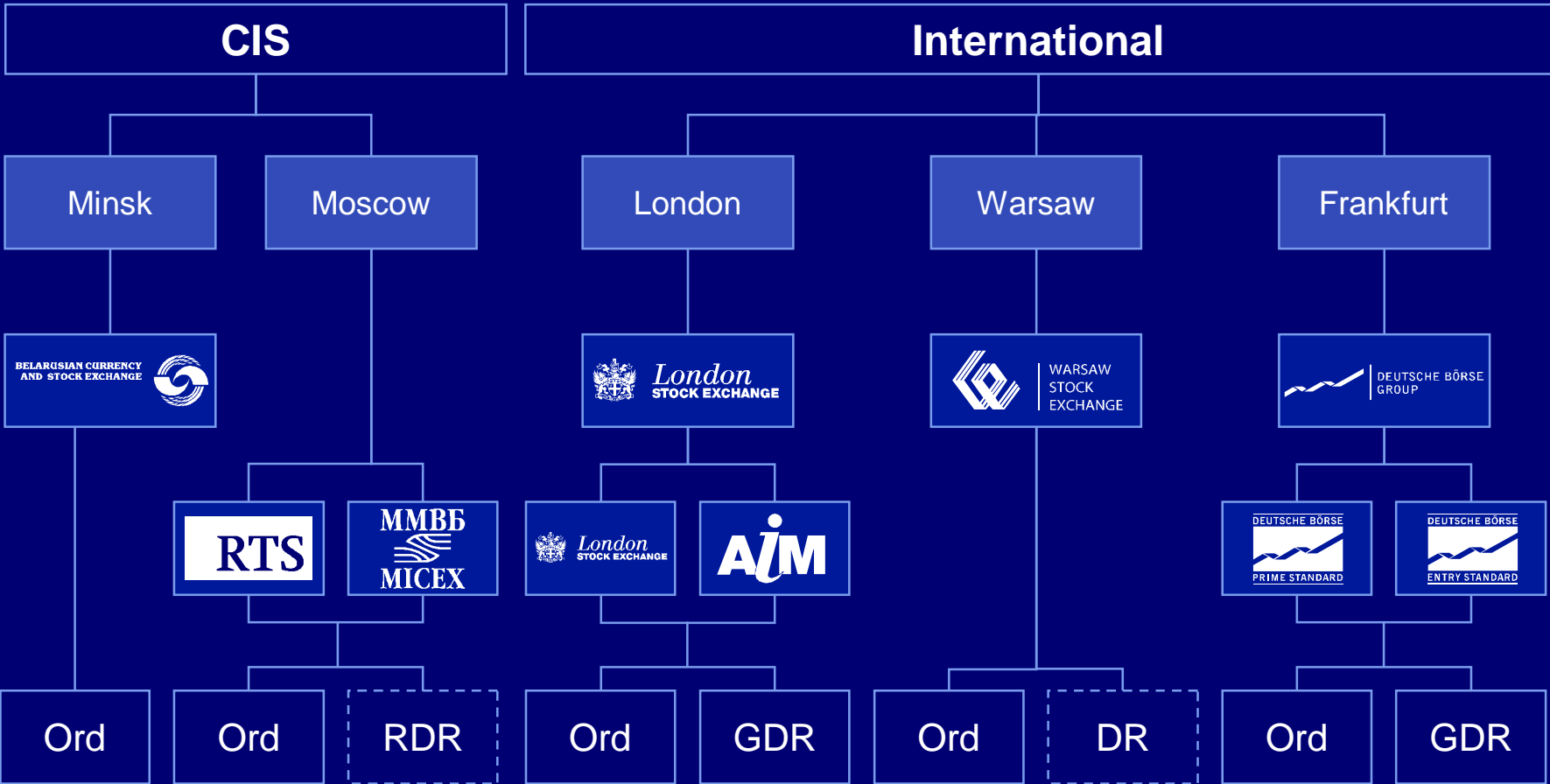
## IPO cons

- û Sharing equity upside
- û Time consuming and more applicable for mature business
- û High one-off transaction costs
  - 2% – 6% Broker fee (success based)
  - ~US\$3m – US\$5m (min) – fixed transaction costs
- û High ongoing costs
  - audit
  - stock exchange
  - executive directors
  - in-house accounting
- û Onerous ongoing reporting obligations

# Key elements of an equity story



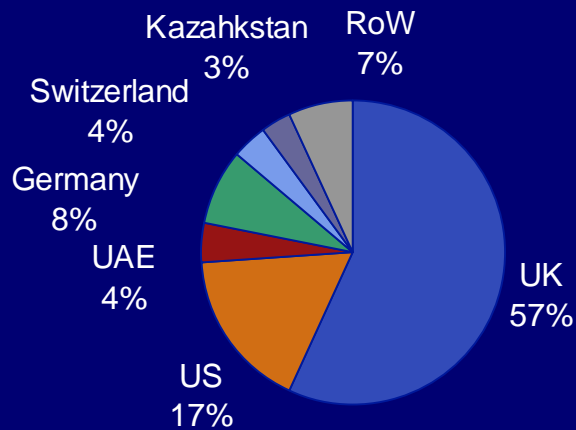
# Key listing alternatives



# Finding a long-term supportive investor base

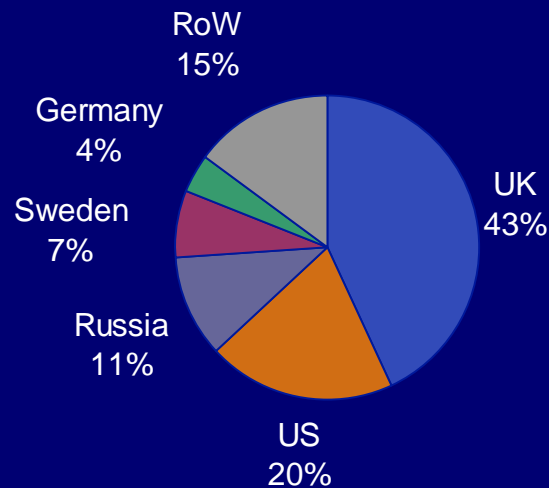
## International listing only

**Halyk Bank**  
(US\$0.8bn, 2006)



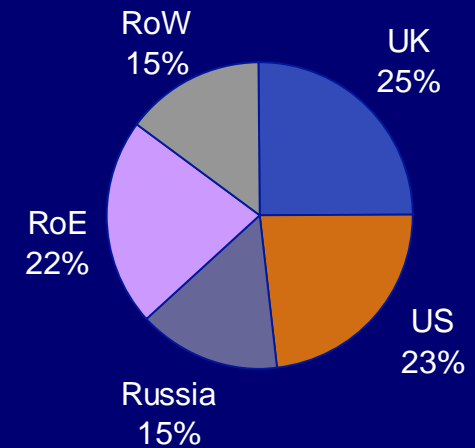
## Local listing only

**Bank Saint-Petersburg**  
(US\$0.3bn, 2007)



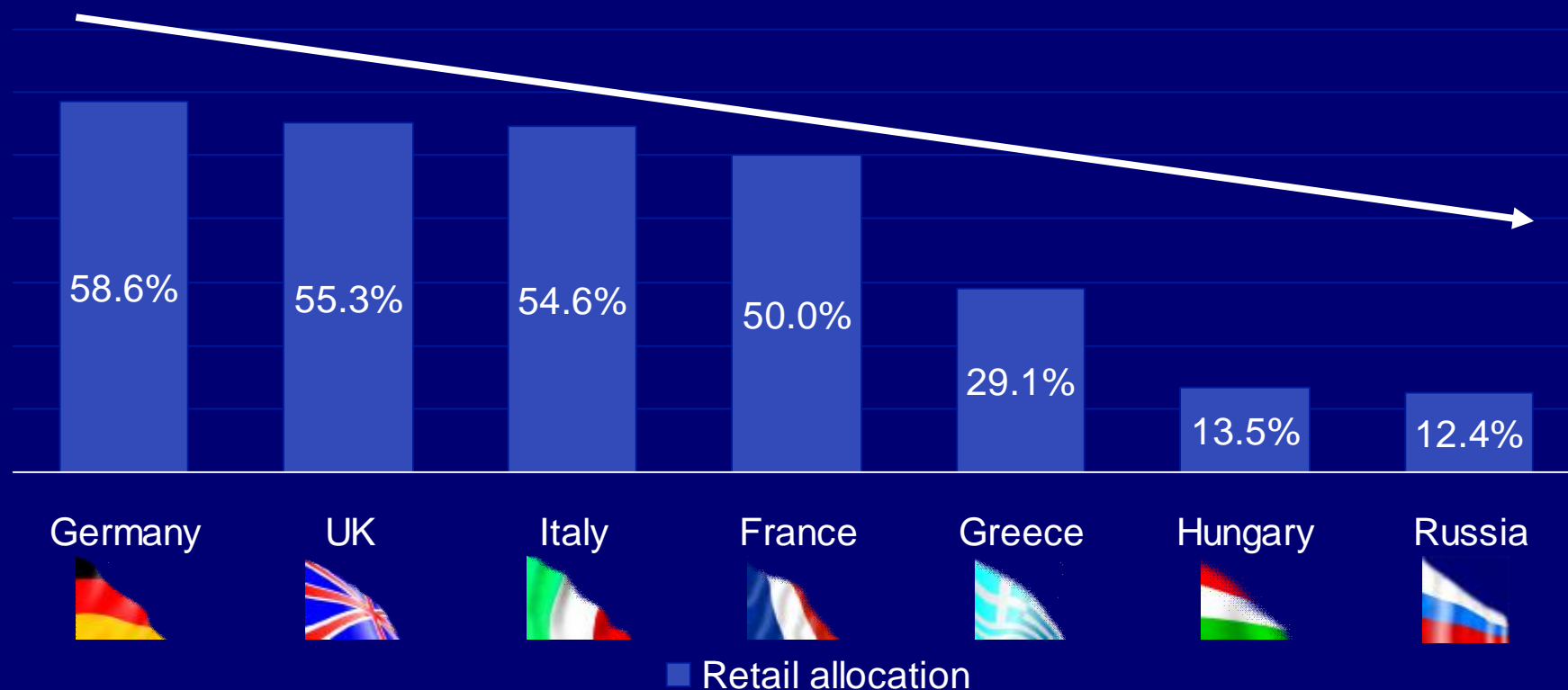
## Dual listing

**VTB**  
(US\$8bn, 2007)



Source: Deutsche Bank data





# Retail allocation in recent European privatisations



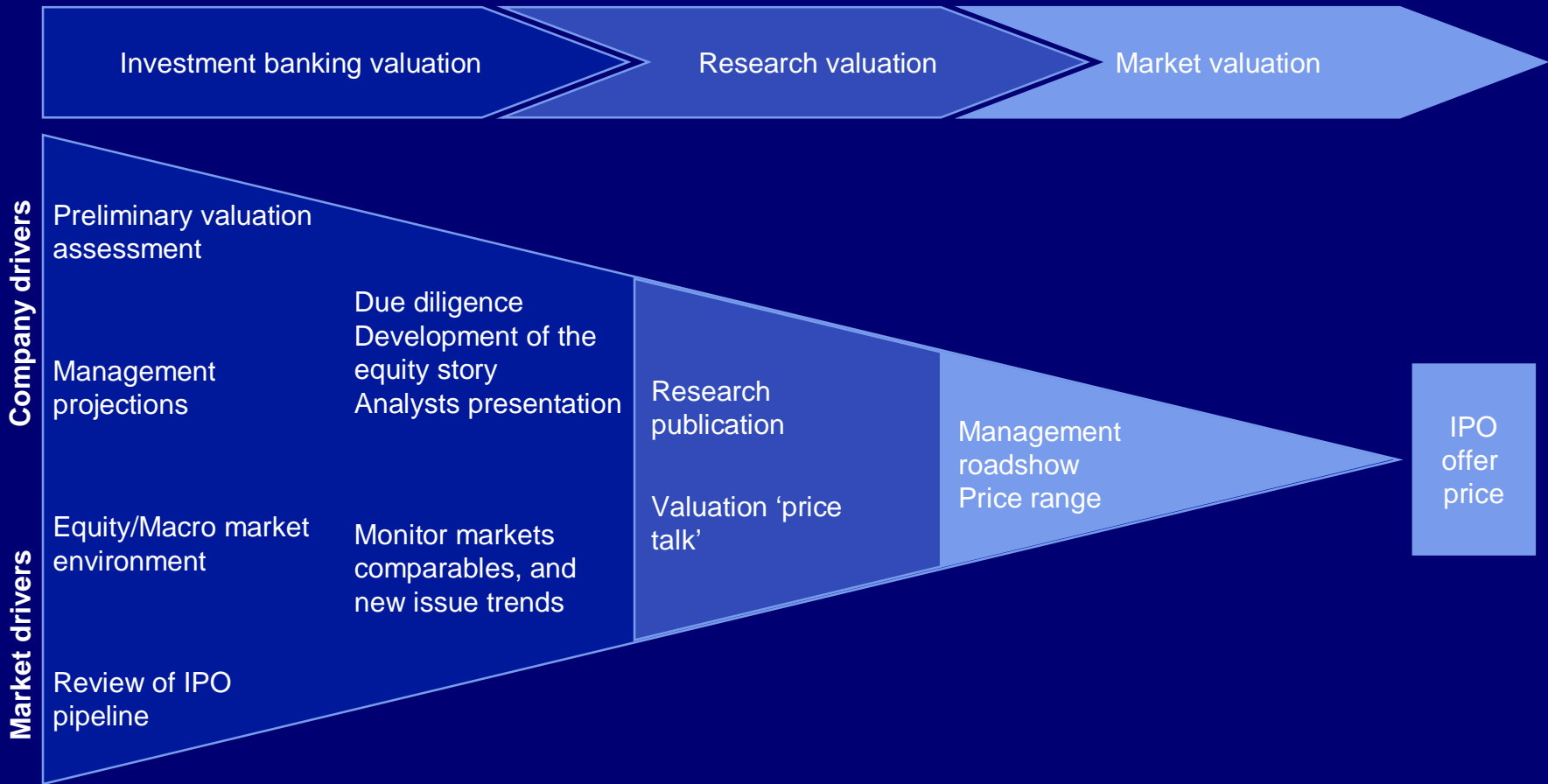
# Valuation positioning – comparable listed peer universe



# Public market investors' approach to valuation

Methodology	Applicability
Comparable multiples analysis	
EV/EBITDA	
EV/Revenue	
Discounted cash flow (DCF)	

# Price discovery in the IPO process



# Privatisation and capital raising process



- n Privatisation strategy
- n Legal framework
- n Legal structure
- n IFRS accounts and audit
- n Internal controls
- n Business plan
- n Size and type of the offering

- n Commercial, financial and legal due diligence
- n Site visits
- n Drafting documentation

- n Investor search
- n Investor meetings
- n Negotiation
- n Closing

# Privatisation: topics for the Government of Belarus

## Privatisation objectives and process

- n Development of Belarus market?
- n Maximisation of proceeds and successful aftermarket?
- n Raising Belarus profile and access to capital markets?
- n Retaining political influence?

## Legal framework

- n Enhancement of capital markets legal regime
- n Transformation into open-joint stock company

## Structuring

- n Route – M&A vs Capital Markets
- n Privatisation perimeter
- n Management incentives
- n Minority protection

## Marketing

- n Political calendar
- n Long-term sell down plans
- n Market conditions
- n Company readiness
- n Managing views from politicians
- n EU/US sanctions



# Privatization in difficult international market conditions: IPO and other alternatives

Deutsche Bank presentation at Belarus Investment Forum

Minsk, 3 December 2008



**Reinout Koopmans**  
Managing Director,  
Co-Head of Equity Capital Markets,  
Central and Eastern Europe

**Elena Yassik**  
Senior Associate,  
Equity Capital Markets,  
Central and Eastern Europe

A Passion to Perform.

Deutsche Bank

