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IPOs of Egypt's State-Owned Companies

As part of Egypt's agreement with the IMF, the country's structural reforms include the launch of an **IPO programme** for successful, state-owned companies in the oil and gas, petrochemical, banking and financial services, building materials and real estate development sectors¹.

On 13 September, Decree No. 1994 of 2017² (**Decree**) was issued, which governs the implementation of the IPO programme.

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Background

The **main objectives** of the IPO programme – which will see state-owned shares in partially or fully state-owned companies listed on the markets³ – are to:

- **stimulate trading** by introducing new sectors to the Egyptian stock exchange;
- **enable** the listing companies **to invest more** in their businesses;
- **boost transparency and governance** when disposing of and managing state assets and state-owned companies;
- **improve the efficiency** and decision-making processes of the listing companies and make them profit-driven;
- **expand** the listing companies' ownership base and attract foreign investment; and
- **diversify** the state's **income sources**.

¹ See p. 57 of the IMF Country Report No. 17/290 of 26 September 2017: [Arab Republic of Egypt: First Review Under the Extended Arrangement Under the Extended Fund Facility and Requests for Waivers for Nonobservance and Applicability of Performance Criteria-Press Release; Staff Report; and Statement by the Executive Director for the Arab Republic of Egypt](#).

² Prime Ministerial Decree No. 1994/2017, Official Gazette, Issue No. 36 (bis)(a), of 13 September 2017.

³ Art. 1 of the Decree.

The **proceeds** from the IPOs **will be allocated** as follows⁴:

- to **finance new investment** in the listing companies, increase their capital, and develop their financial structures;
- to **settle** a portion of the listing companies' **debts**; and
- to the **Ministry of Finance**.

Ministerial Supervising Committee

Under the Decree, the ministerial committee responsible for supervising the implementation of the IPO programme includes⁵: (i) the minister of investment and international cooperation, (ii) the minister of petroleum and mineral resources, (iii) the minister of finance, (iv) the minister of the public enterprise sector, and (v) the chairman of the legislative secretary of the Council of Ministers.

The ministerial committee's **duties** include⁶:

- **coordinating** with the relevant ministers and authorities regarding their plans to participate. This includes coordinating the re-structuring plans of the listing companies before offering their shares on the stock exchange, in order to maximise the proceeds from the IPO;
- setting the implementation timeframe and overseeing **compliance** by the ministries and authorities;
- establishing the criteria to **decide the percentage of companies to be listed** and which ones, based on the nature of business carried out by each company and the potential to attract investors;
- setting the **criteria for the type of public offering** (e.g., capital market listing or other means);

⁴ Art. 9 of the Decree.

⁵ Art. 2 of the Decree.

⁶ Art. 4 of the Decree.

- approving the **investment banks** (and their consultants) to assist on the IPO programme; and
- proposing the **percentage of shares to be assigned to employees** of the companies that are listed.

Exclusive consultant

The Decree identifies **NI Capital** as the exclusive consultant for the IPO programme⁷. The listing will begin following approval (from the boards of directors and general shareholders' meetings of the listing companies), which is to begin all the statutory procedures for the IPOs.

All public authorities that wish to offer their shares in state-owned companies will have to do so through the IPO programme⁸.

Conclusion

The Decree is a **positive signal to the market**: the Egyptian government's willingness to sell its shares in partially or fully state-owned companies in strategic sectors demonstrates its **commitment to carrying out the structural reforms agreed with the IMF**.

⁷ Art. 6 of the Decree.

⁸ Art. 7 of the Decree.