

Arabian Cement shares jump EGP 10.39 on first day of trading on EGX

CEO says IPO primarily aims to allow exit of investors, and can in the future contribute to increase the company's capital

By Abdel Razek Al-Shuwekhi

On its first day of trading Sunday, Arabian Cement jumped from EGP 9 to EGP 10.39, with a trading volume of 17.3m shares. The total value of shares traded was \$179.8m.

The company's CEO Jose Maria Magrina said "offering shares on the Egyptian stock exchange is a positive step towards increasing the company's capital in the future, and it is an opportunity that was not available before."

The company is offering 40% of the company's shares on the stock market. It is the first such offering since the 25 January Revolution in 2011.

"The offering was oversubscribed 18.5 times, as recorded purchase orders for private market transactions reached 460.5m shares, while the volume of shares being offered for sale was only 24.9m, an allocation rate of nearly 5.4%," Magrina added.

The total demand for shares in the company through both public and private offering reached \$1.5bn, despite the offering only having a total value of \$110m from the sale of 85.2m shares at EGP 9 per share.

Sherif Samy, head of the Egyptian Financial Supervisory Authority (EFSA), said: "We hope that the offering will be the start of a series of offerings that will benefit all parties involved, and

which will indirectly help investment funds." He added that the demand for the stock reflects the confidence of investors, particularly foreign investors, in the Egyptian economy.

According to Magrina, the offerings will serve to strengthen its ties with Egyptian government agencies.

He added that the initial public offering (IPO) does not aim to increase the company's capital at this point, but rather to allow the exit of a group of Egyptian investors.

"There is no intention to offer any of the Spanish-held shares on the stock exchange in the future," he said.

Magrina declined to answer a question regarding his expectations for future profit growth in light of the government's plan to raise energy prices for cement factories, saying only that "we are ready to use coal in the event of special ministerial approval on environmental standards."

Karim Awad, Co-CEO of EFG-Hermes, said: "The company has sufficient liquidity, and the stock market IPO serves only to replace part of the company's stock ownership."

Arabian Cement was founded by a group of Egyptian shareholders in 1997 to set up a cement plant with a production capacity of 2.5m tons per year for the production of grey cement for the Egyptian market.

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