



Privatizations, IPOs

Cbonds, Uzbekistan
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Outline

- ❖ SOEs: conceptual understanding
- ❖ Privatization: brief overview
- ❖ IPOs & SPOs
- ❖ Privatization Plans
- ❖ 2022 SOE Reform Strategy (draft): Key targets

SOEs dominate the economy

- ❖ “...state-owned enterprises (SOEs) **dominate the formal sector**... One in three workers **works in SOEs**... “**missing middle**” of medium-sized fast-growing companies, with the country still dominated by large underperforming SOEs and small firms, 70 percent of which do not employ any additional workers...” (*Brookings, 20 December 2018*)
- ❖ “State-owned enterprises (SOEs) in Uzbekistan **dominate and have significant influence** on the performance of most sectors in the economy including **natural resources, energy, manufacturing, telecommunications and transport**. The SOE sector has been the key driver of Uzbekistan’s industrial development during the past decades and will likely remain so in the near future...” (*EBRD, TA Project ToR, SAMA*)
- ❖ “...**Nearly half of the country’s economic activity** is carried out by SOEs that have long been **benefactors of preferential treatment over private firms** (e.g., monopoly operating rights; preferential access to capital and basic infrastructure; tax and customs duties exemptions or preferences; low input prices for electricity, gas, water; and direct and indirect subsidies)... (*World Bank, May 3, 2019, Institutional Capacity Building Project document*)

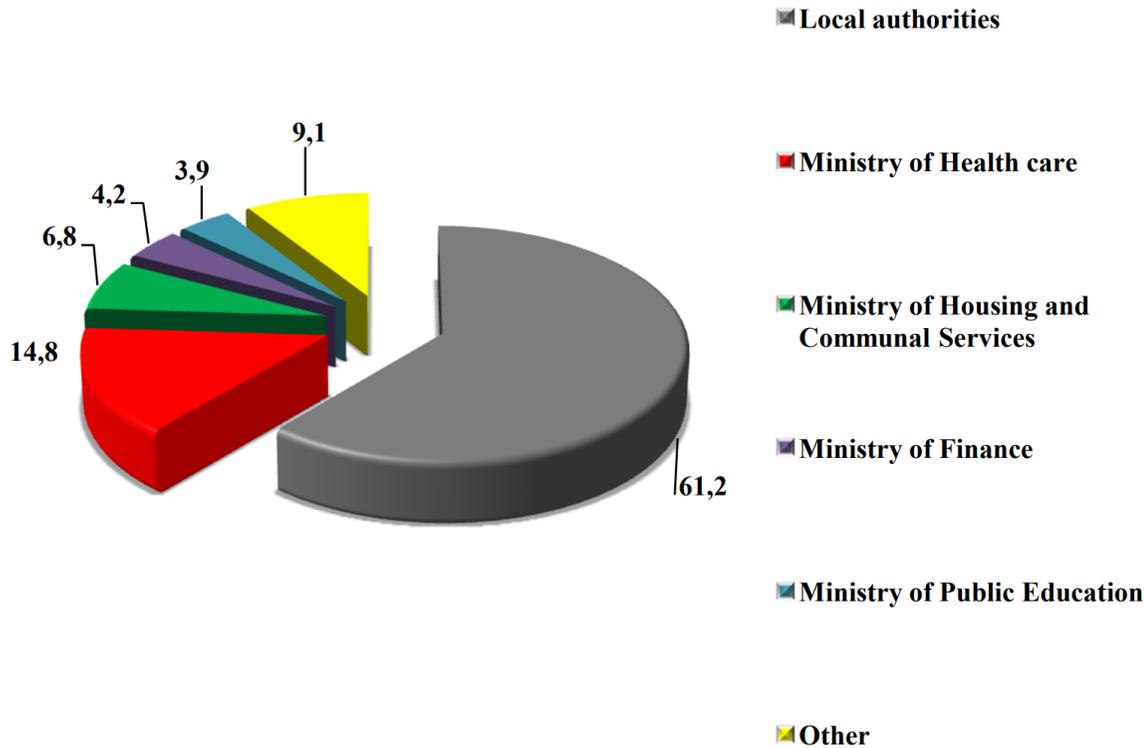
 BROOKINGS **European Bank**
for Reconstruction and Development 
THE WORLD BANK

SOEs: Less Profitable, Less Effective

#	Company	Sector	Profit before tax, UZSbn	No of employees	Note
1	Uzbekneftegas JSC	Oil & Gas	4,968	127,099	
2	Uzbekistan Railways JSC	Transportation/ Railways	1,108	82,436	
3	Uzbekenergo JSC	Energy	903	48,247	Reform roadmap approved in July 2018
4	Uzstroyaterials JSC	Construction	890	15,033	
5	Navoi Mining & Metallurgy Combinat (NGMK)	Mining/ Uranium/ Gold	852	56,213	Under management contract with SFI Management Group
6	Almalyk Metallurgical Plant JSC	Mining/ Copper/ Silver/ Gold	544	30,781	Under management contract with SFI Management Group
7	Uzsharobsanoat JSC	Alcohol	184	11,451	
8	Uzbek Metallurgical Plant JSC	Steel	73	10,569	Under management contract with SFI Management Group (SAR) since September 2017
9	Uzavtosanoat JSC	Automotive	44	25,584	
10	Uzdonmahsulot JSC	Food production /Bread	34	17,044	
11	Uzpahtasanexport HC	Textile/Cotton	(40)	51,235	In reorganization since October 2017
12	Uzbekengilsanoat JSC	Textiles/Cotton	(40)	59,477	
13	Uzagrotehsanholding JSC	Agro machinery	(69)	6,175	
14	Uzkimesanoat JSC	Chemicals/ nitrogen	(161)	29,748	
15	Uzbekozikovkatholding HC	Food production	(898)	14,717	
	Total		8,392	585,809	
	Total, US\$m		1,049		

Privatization in 1H2019

Privatized state assets, 1H2019 (% of total)



384 state properties privatized in 1H2019

UZS 141 billion total proceeds, or **\$17mn**

Privatization and IPOs & SPOs

No	Company's Name	Industry	State share to be sold
1	Aloqabank JSC	Banking	25% (10% SPO)
2	Turonbank JSC	Banking	25%
3	Asia Alliance Bank JSC	Banking	25% (10% IPO)
4	Kafolat JSC	Insurance	25%
5	Kizilkumcement JSC	Construction materials	35.9%
6	Kvartz JSC	Construction materials	74.98% (20% SPO)
7	Eurosna Ltd	Food	51%
8	Kattakurgon Yog Moi JSC	Food	64.9%
9	Urgench Yog Moi JSC	Food	60.3%
10	Tashkent Yog Moi Kombinati JSC	Food	51%
11	Ferghana Yog Moi JSC	Food	84.5%
12	Karshi Yog Ekstratsiya JSC	Food	51%
13	Samarkand Wine Factory under Hovrenko JSC	Alcohol	71.2%
14	Namangan Vino JSC	Alcohol	57.24%
15	Shohrud JSC	Alcohol	51%

No	Company's Name	Industry	State share to be sold	State Holding companies' share
16	JV Coca-cola Ichimligi Uzbekistan Ltd	Beverages	-	57%
17	Ferghana Azot JSC	Chemicals	48.05%	2.95%
18	Kungrad Soda Factory Ltd	Chemicals	-	51%
19	Dehkanabad Soda Factory Ltd	Chemicals	-	Over 51,0%
20	Angren Thermal Power Plant JSC	Power	-	99%
21	New Angren Thermal Power Plant JSC	Power	-	99.59%
22	Bukhoroneftgazparmalash JSC	Oil & gas	-	51.24%
23	Uzneftgazkudukta'mirlash JSC	Oil & gas	-	74%
24	Qashqadaryoparmalash ishlari JSC	Oil & gas	-	51%
25	Neft va gaz quduqlarini sinash JSC	Oil & gas	-	73.87%
26	Surxon parmalash ishlari JSC	Oil & gas	-	51%
27	Andizhanneftgazquduq-ta'mirlash Ltd	Oil & gas	-	100%
28	Ferghana Tank Farm Ltd	Oil & gas	-	100%
29	Gulistan Tank Farm Ltd	Oil & gas	-	100%

Privatization and IPOs & SPOs

IPOs



10% of charter capital
Market Cap: \$240mn



10% of charter capital
Market Cap: \$21mn



25% of charter capital

SPOs



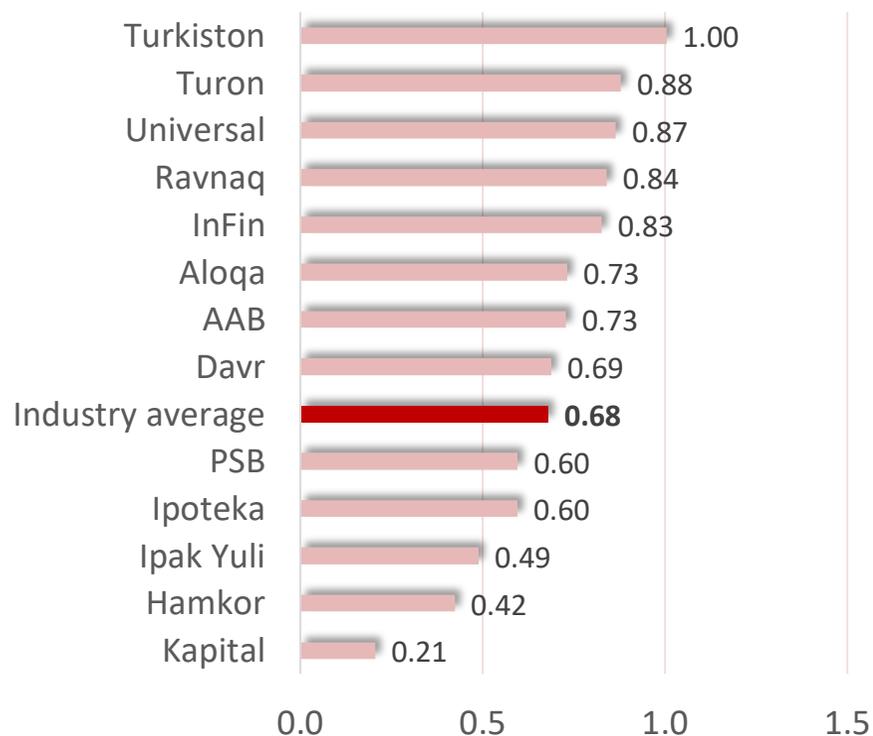
10% of charter capital
Market Cap: \$219mn



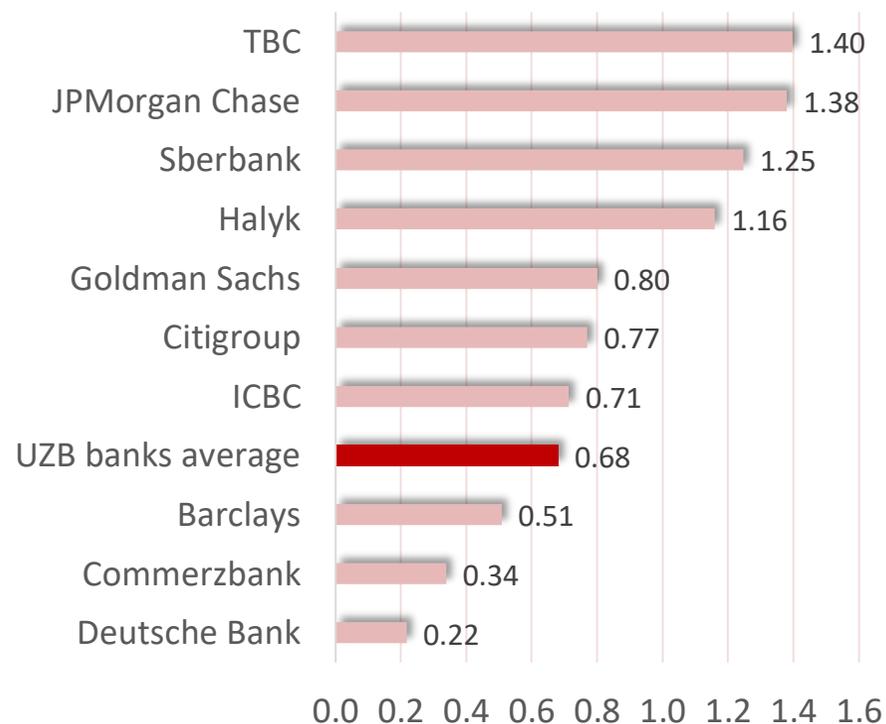
12% of charter capital
Market Cap: \$22mn

Valuation of Uzbek banks vs foreign giants

Price-to-book (P/B, actively traded Uzbek banks)



Price-to-book (P/B, selected major foreign banks)



Source: Bloomberg, Reuters, UZSE, banks, Silk Capital estimates
 Share price data as of 15 May 2019; Shareholder capital data as of 1Q2019 and 2018

Latest State Assets Offered for Sale



	industry	State share
BuhoroPoultry JSC	Poultry farming	36.2%
Buhoro MeatMilkTrade JSC	Food, trade	30.8%
Samarkand Marble JSC	Construction materials	6.9%
Surhondaryo Food Products JSC	Food	100%
Namangan AgroMash LLC	Agromachinery	91.5%
Fargona MeatMilkTrade JSC	Food, trade	25.0%
Horazm Water Construction JSC	Water, hydro	70.0%
Central Asia Trans JSC	Transport, logistics	51.0%
Matbuot Tarqatuvchi JSC	Press distribution	26.0%
UzImpExAloka LLC	Foreign trade	51.9%
StroyService LLC	Construction	21.0%
Druppa Design LLC	Polyethilen production	32.0%
ThermalPowerRepair LLC	Power services	51.1%
SPI & OWT LLC	Real estate	4.0%
Bezak LLC	Construction materials	17.5%
4th Repair Construction Collecting Unit LLC	Construction	98.6%

	industry	State share
Turon Hujeyli JSC	Food & vegetable oil extraction	79.7%
Eggar Beruni JSC	Food & vegetable oil extraction	89.3%
Andijon Food Oil JSC	Food & vegetable oil extraction	58.4%
Asaka Food Oil JSC	Food & vegetable oil extraction	51.1%
Kogon Oil Extraction JSC	Food & vegetable oil extraction	51.0%
Nurdli Don LLC	Food & vegetable oil extraction	51.0%
Buston Olami LLC	Food & vegetable oil extraction	51.0%
Koson Oil Extraction JSC	Food & vegetable oil extraction	51.0%
Guliston Oil Extraction JSC	Food & vegetable oil extraction	58.9%
Surhon Food Industry JSC	Food & vegetable oil extraction	59.9%
Agrohizmat Shindon LLC	Food & vegetable oil extraction	51.0%
Vangozi Agroexport LLC	Food & vegetable oil extraction	51.0%
Continent -N Food Oil LLC	Food & vegetable oil extraction	51.0%
Uchqorgon Food Oil JSC	Food & vegetable oil extraction	51.7%
Namangan Tola Textile LLC	Food & vegetable oil extraction	51.0%
YangiYol Food Oil JSC	Food & vegetable oil extraction	51.0%
Quqon Food Oil JSC	Food & vegetable oil extraction	51.0%

2022 SOE reform Strategy (draft): Key targets

1. **50%** reduction in the number of SOEs;
2. **50%** reduction of non-core assets of SOEs;
3. **5%** annual on average in real terms increase in the value of the portfolio of enterprises (net of inflation);
4. **Twofold** increase in revenues to the State budget in the form of dividends;
5. Attraction of at least **50** foreign managers in the management bodies of SOEs;
6. Implementation of **IFRS** in all JSC SOEs;
7. Completion of the **reforms** of all large SOEs;
8. Implementation of **ERP in 100 SOEs**;
9. **IPO (SPO)** of at least **20 SOEs**;
10. Issue of **bonds** by at least **50 SOEs**.

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