Algeria's stock exchange eyes new listings

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By Oxford Business Group

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Plans to offer a 20% stake in eight of Algeria's state-owned firms - including prominent financial institutions and one of the country's three mobile phone network operators - are expected to take a key step forward later this year, representing a significant shot in the arm to the stock exchange.

The partial privatisation of government-backed companies forms part of a national drive to boost investment and listings at the Bourse d'Alger, which has remained under-developed since its launch in 1998. The exchange's management is targeting 45 new listings over the next five years, as it looks to increase the bourse's market capitalisation to $10bn.

Initial public offerings (IPOs) of government-backed businesses are expected to play a major part in the expansion drive, alongside ongoing modernisation efforts, and other initiatives, such as the possible lifting of restrictions that currently prevent foreigners from investing in local stocks.

Seeking expansion

Just four companies, with a combined market capitalisation of around AD14bn (€129m), are currently listed on the Bourse d'Alger's equity exchange. The low level of activity stems largely from the nature of Algeria's domestic corporates, which are largely characterised by a combination of major government-backed enterprises, led by state oil and gas firm Sonatrach, and small, family-run businesses. A handful of larger private conglomerates, such as the privately-owned Cevital, are generally the exception to the rule.

The eight companies earmarked for listing are state-owned insurance firm Compagnie Algérienne d'Assurance et de Réassurance (CAAR), which had a 2012 non-life market share of around 17%; Crédit Populaire d'Algérie (CPA), the country's third-largest Algerian bank by assets; and quarry operator Cosider Carrières, a unit of state-owned construction and public works firm, Cosider.

The water and sanitation firm, Entreprise Nationale des Aménagements Hydrauliques, is also on the list, alongside three cement factories belonging to state-owned cement holding firm Groupe Industriel des Ciments d'Algérie (GICA) and Algérie Télécom Mobile, better known by its brand name, Mobilis. An affiliate of the state-backed Algérie Telecom, Mobilis is the country's second-largest mobile phone network operator by subscribers, with a 2013 market share of 31.5%. The firms were selected primarily for their healthy financial position.

Yazid Benmouhoub, Bourse d'Alger's director, said in late April that the companies should receive a licence enabling them to list before the end of the year.

Starting point

With the prospect of new IPOs edging closer, the government has been keen to allay concerns that its plans to sell stakes in its firms amount to privatisation – a politically contentious issue in Algeria – with the firms set to remain majority-owned by the state.

Indeed, local media reports suggest that the authorities are keen to target more state firms for partial sales. In April, Benmouhoub, said that the largest of the country's three mobile phone operators, Orascom Telecom Algérie (OTA), which was recently acquired by the state, could be another possible IPO candidate.

Better known as Djezzy, OTA had a market share of 44.5% in 2013. The country's sovereign wealth fund, the National Investment Fund, acquired a 51% stake in the operator in mid-April for $2.6bn, following protracted negotiations with majority-owned Vimpelcom.

Support structures

While the bourse's expansion efforts are gathering strength, the authorities have yet to change the regulations governing the central bank that does not allow foreigners to repatriate share dividends, effectively barring them from investing in local stocks. Local media reports in November quoted Benmouhoub as saying that preparations to amend the rules were in the pipeline, although there have been news stories in the past making similar claims.

However, with a financial system characterised by high levels of excess liquidity – a rarity in the North African region – Algeria has a comfortable fiscal position and is unlikely to find its current restrictions a hindrance. The stocks are expected to prove particularly popular with local financial institutions and wealthy individuals with limited opportunities to invest funds locally.

The Bourse d'Alger is also in the midst of a major overhaul, which the authorities hope will support new efforts to drive growth. Having launched a UNDP-backed modernisation programme in 2012, the Bourse d'Alger last November also signed a cooperation agreement with Euronext, which will see Algeria benefit from the pan-European exchange's expertise. Plans to roll out similar initiatives with other exchanges, including the Tunis bourse, should further strengthen the institution, as anticipation about the country's forthcoming IPOs begins to rise.