

MegaFon IPO disappoints at £1bn

By Ben Harrington

MEGAFON, the mobile phone company controlled by Russian tycoon Alisher Usmanov, managed to raise only \$1.7bn (£1bn) from investors after pricing its flotation in London and Moscow at the bottom end of the expected range.

Yesterday's initial public offering (IPO) saw 84m new shares sold at \$20 apiece, which values the company at \$11.1bn. The previously mooted indicative price range was between \$20 and \$25.

The shares fell 40 cents to \$19.60 on the first day of trading on the London Stock Exchange (LSE). MegaFon will also

have a Moscow listing. One broker said that MegaFon's shares may have dipped because hedge funds made up a significant portion of the buyers and they often "flip" the shares, selling them quickly in the hope of making a fast profit.

The flotation, though, is one of the largest listings of a Russian company since January 2010 and will be welcomed by the City of London as the IPO market has had a terrible year, with several companies cancelling planned flotations.

Kate Ball-Dodd, a partner at the law firm Mayer Brown, said: "The news that MegaFon has successfully listed on the LSE demonstrates that London

remains a desirable destination for foreign companies, particularly those from Russia."

As part of the MegaFon listing, Nordic telecoms firm TeliaSonera is selling about 10pc of its 35.6pc stake. MegaFon is also selling some treasury stock. However, Mr Usmanov's holding company is not selling any shares.

MegaFon said it expects to use approximately 50pc of the proceeds from the offering to repay or refinance existing debt, and the remainder will be used for general corporate purposes including the development and expansion of its telecoms network across Russia.