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RDIF in Consortium to Buy in Companies

By Irina Filatova

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Kirill Dmitriev, CEO of Russian Direct Investment Fund

President Vladimir Putin on Thursday announced an initiative supposed to give impetus to the domestic stock market, saying that the Russian Direct Investment Fund — the government's $10 billion investment vehicle — agreed with a consortium of international private equity funds to jointly buy into Russian companies planning listing in Moscow.

The consortium, which includes BlackRock Investment Management, Templeton Asset Management and Goldman Sachs with a total of $5 trillion under joint management, will invest into companies ahead of the listing to boost the stock market liquidity, said RDIF head Kirill Dmitriyev.

The announcement came as Putin met with heads of global private equity funds — including Kuwait Investment Authority, Apollo Global Management, TPG and Apax Partners — at the international economic forum in St. Petersburg.

"Many domestic companies choose to list outside the country, but we think that many

companies would list in Russia if they had access to the capital here," Dmitriyev told a news conference after the meeting.

The consortium will buy into the companies a year or two before the possible listing, with the average investment size totaling $100 million, he said, adding that the consortium would invest for the period of one to two years.

The consortium — to be coordinated by the RDIF — will target the companies with annual revenues of above $500 million that plan to list shares on the joint MICEX-RTS, the RDIF said in a statement.

Dmitriyev said that the consortium is considering a few options to invest in, declining to specify the potential candidates. He said that analyzing the opportunities might take six to seven months.

Having big private equity fund as investors could help companies get a higher valuation during the listing, he said, adding that the foreign funds are committed to participate in the companies' subsequent initial public offerings.

Among the Russian companies that have announced their commitment to list in the near future are MegaFon and Sberbank.

Ruben Aganbegyan, president of the MICEX-RTS bourse, in which RDIF owns a 1.25 percent stake, welcomed the initiative, saying that it would boost development of the domestic stock market.

Big private equity funds, which will buy into domestic companies, might provide expertise on how to improve the bourse's work, as MICEX-RTS plans to complete the reform of the listing procedure this year, which will involve, among other things, easing registration for issuers, he told reporters on the sidelines of the forum.

The consortium's will also provide access to the capital the companies could use to develop and better prepare for the listing, as "it's impossible to become a public company in one day, it's a long process, which requires preparations," he said.

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