

MegaFon IPO Pricing on Low End on Eve of First Sales

By [The Moscow Times](#)

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No. 2 mobile phone firm MegaFon is likely to price its stock market float towards the lower end of its guided range, sources said, in an offering expected to see the company raise less than \$2 billion.

MegaFon, controlled by Russia's richest man, Alisher Usmanov, is selling global depositary receipts, or GDRs, in London and Moscow, offering an alternative to New York-listed Russia market players MTS and Vimpelcom Ltd.

The company set a range of \$20-\$25 per GDR, to raise \$1.7 billion to \$2.3 billion and valuing the firm at \$11.2 billion to \$14 billion.

Sources said the order book for MegaFon's initial public offering closed at 1400 GMT on Tuesday after being oversubscribed on Monday evening, with the placement likely to be priced in the lower half of the offer range.

Two financial market sources said they expected the offer to be priced at \$20 a share. One source familiar with the matter said that orders for the offer were submitted at \$20–\$22.50 a share.

Sources cautioned there was no decision on the price set at this stage.

Analysts have previously said that the MegaFon IPO would only be interesting to investors if priced at a discount to New York-listed Russian rival MTS.

"At the low end of the range it's at a discount to MTS — at the high end, it is a premium," one investor said.

MegaFon, which declined comment, is expected to finalize the placement on Tuesday night, with pricing, allocations and trading to begin on Wednesday.

The offering would be the largest by a Russian company since aluminum firm RusAl floated in Hong Kong in 2010.

The float earlier received an important endorsement when the head of Nordic telecoms group Teliasonera, which is selling down its stake, signed up for MegaFon stock.

Teliasonera CEO Lars Nyberg said he would buy \$2 million of MegaFon shares at the offer price in an expression of his strong belief in the company's prospects.

"As a member of the MegaFon board, making a sizeable investment in the company is a way for me to show my commitment," Nyberg said in a statement issued by Teliasonera.

Questions about corporate governance had prompted investment bank Goldman Sachs to drop out of the deal, while the UK Listing Authority signed off on the prospectus only after Usmanov pledged to keep overall control under a deal to restructure his and his partners' assets.

The deal received a boost after a large global investment fund placed an order for around \$280 million worth of MegaFon stock, or more than a tenth of the issue, three sources said.

One source close to the deal called the quality of the order book "strong," with interest from long-only investors greater than from hedge funds, and buying interest better than when state-controlled Sberbank, Russia's top bank, recently sold \$5 billion in stock.

"I see a reasonable after-market," the source said, referring to likely demand for the shares following the IPO.

Teliasonera is selling down its 35.6 percent stake to just over 25 percent in the offering. MegaFon itself is selling treasury stock it bought in an ownership shakeup last spring.

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