CEO MIDDLE EAST
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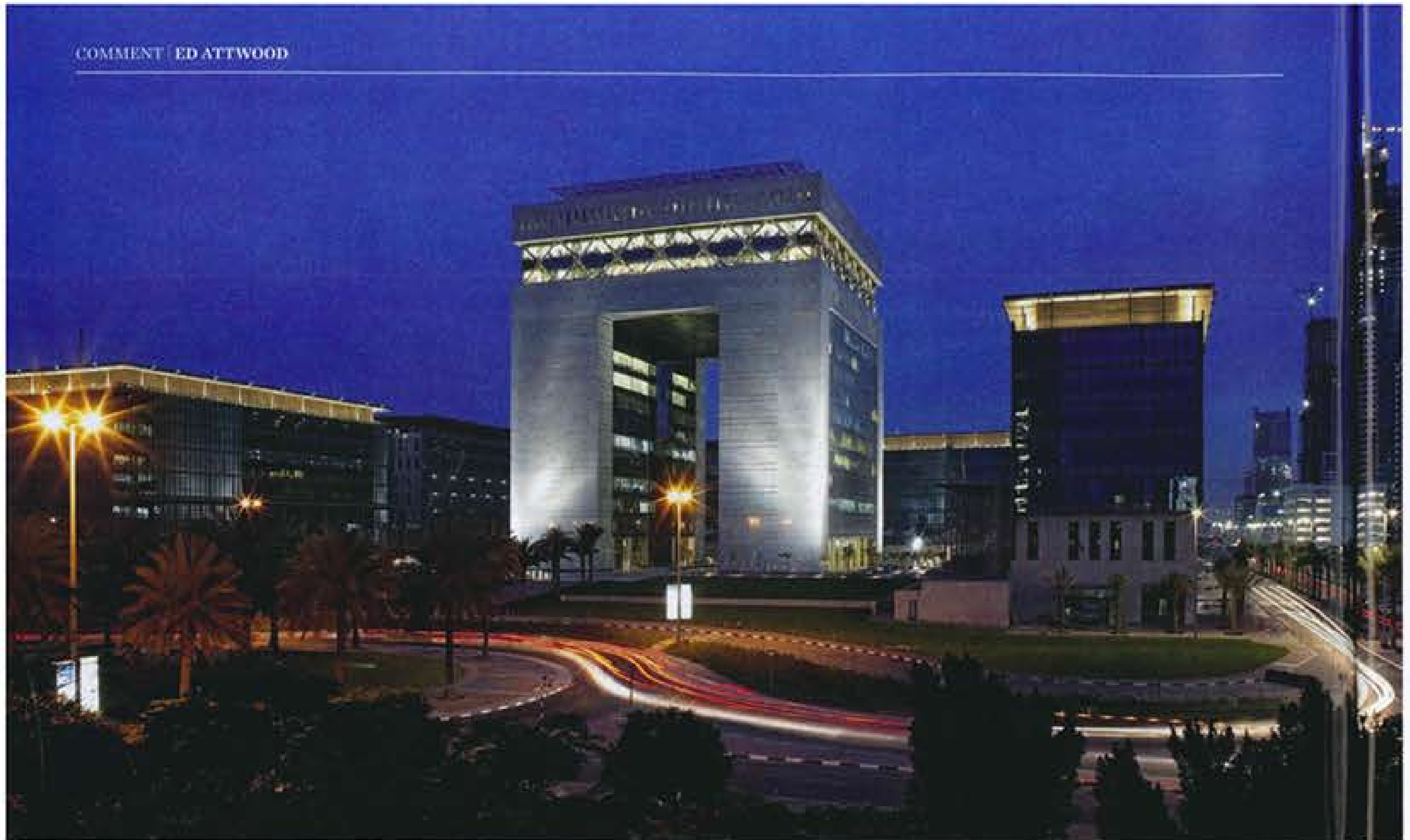
ضمان للاستثمار
DAMAN INVESTMENTS



Does Daman's move to go public make sense?

DURING A PERIOD IN WHICH MOST FIRMS ARE BEING ADVISED TO SIT ON THEIR IPOS, ONE COMPANY'S LISTING COULD WELL PAY OFF, SAYS ED ATTWOOD

When even the head of the local market regulator is quietly advising firms that it's not a great time to go public, it's worth sitting up and taking note.

"There are some IPOs – they saw the market and postponed as this is not the right time for them," Abdullah Salim Al Turifi, chief executive of the Securities and Commodities Authority, told reporters at an event last month.

When asked how many offers were being suspended, Turifi said: "There are many, not one – we are supposed to have at least five or six this year."

He noted that after some recent listings, shares had tumbled as much as 30 percent at one stage, which was not a positive phenomenon. "We can't force them and we can't stop them, but sometimes we can ask them, 'Is this the right time?'"

For Damac Properties, which listed on the Dubai Financial Market (DFM) last Sunday after its shares performed poorly on the London Stock Exchange over the course of last year, it was a chastening week. Although its stock rose as much as 21 percent shortly after the opening bell, it quickly slid back downwards. After four days of trading, its shares had shed 9.3 percent of their value, a period during which the overall index had gained just over 1 percent.

Further evidence of many firms' reluctance to go public came in the form of a report from Bloomberg, which suggested that Emaar's hospitality division, which had been planning an IPO in the first half, may push back its listing until the latter part of the year.

From a more general perspective, the rule that forbids firms from floating less than 55 percent of their shares has still not come into force, putting off many would-be suitors.

One Dubai company, however, is ignoring the naysayers and going ahead with its plan to list in the first quarter of this year. Daman Investments, led by founder and chairman Shehab Gargash, first announced its intention to list back in 2009. So why now?

"It's a bit of a tougher proposition, because the first thing, I'm sure, that investors would say if I went to them today would be 'are you sure you want to raise money today?'," Gargash told me. "But I think that's a very short-term view of the market. You cannot decide such investment decisions based on a week-by-week performance of the market, you need to have a more holistic view.

"Our fundamentals are solid in the economy, our fundamentals are solid in the stock market – any investor that has that in mind will, I'm sure, see the potential. But once I have gone public, guess what? I can actually deploy that cash at a discount, because this is exactly the business that I am in."

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2009

Gargash first announced his intention to list Daman Investments in 2009.

That latter point gives some idea as to why Gargash thinks going public amid such a volatile period makes sense. Although the full paperwork is yet to be completed, it seems likely that Daman will be looking to raise somewhere in the region of \$100-\$125m from the sale of a 55 percent stake in the company. None of that cash will be going back into the pockets of the firm's original investors, however. Instead, it will be deployed straight into a market where – thanks to the oil price slide and investor jitters – valuations for some of the UAE's biggest blue-chips are looking far more attractive than they were, say, six months ago.

It may not be the right time for most firms to go public, but it's clear that there is plenty of logic behind Daman's decision. And in a market where there are precious few positive cues around, Gargash's decision to stick to his guns could pay off spectacularly in the long term.