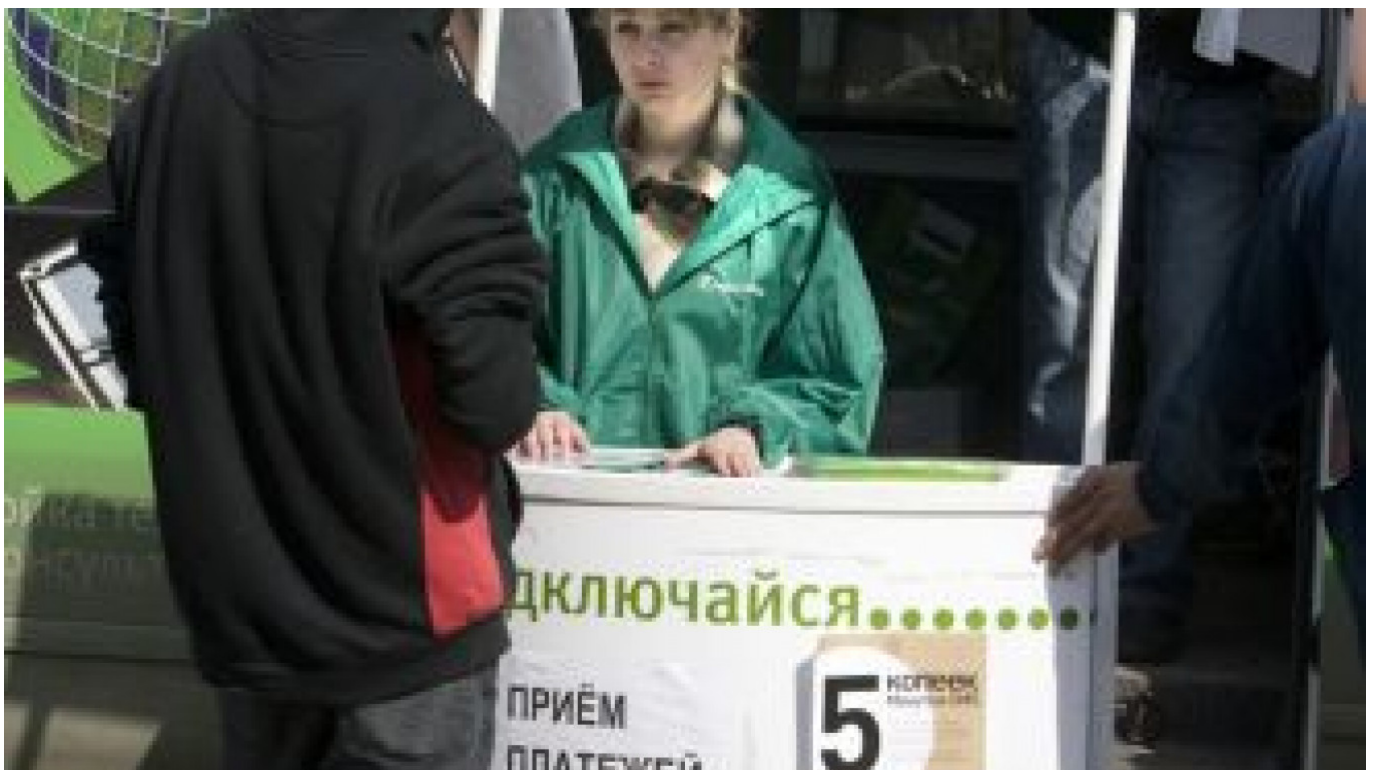


# MegaFon Looking to Raise up to \$2.3Bln From IPO

By [The Moscow Times](#)

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Analysts are saying the operator's local focus increases its valuation. **Vladimir Filonov**

Mobile operator MegaFon wants to raise \$1.7 billion to \$2.3 billion from a planned share listing in London and Moscow, it said as it kicked off an investor road show in New York.

The company, controlled since April by tycoon Alisher Usmanov, also gave an indicated range of \$20 to \$25 per share Thursday for its initial public offering, valuing it at \$11.2 billion to \$14.0 billion.

The IPO could lure investors from domestic rivals MTS and VimpelCom because of MegaFon's outperformance in Russia and setbacks others have faced expanding into foreign markets.

The company beat its two New York-listed competitors in terms of quarterly revenue growth and was on a par with MTS in terms of core profitability, according to third-quarter results this week.

MegaFon has also made a dividend pledge — a turnaround after the company had been thwarted for years from making any shareholder payouts by a long-running strategy dispute that ended when Usmanov took control.

Sources familiar with the matter had said in September that MegaFon was looking to float a 20 percent stake for as much as \$4 billion. Sources later said the IPO would raise around \$2 billion with Nordic group TeliaSonera trimming its stake and MegaFon selling treasury stock to cut debt.

Around 17 percent of MegaFon will be sold in the IPO — if the over-allotment option is exercised — according to Reuters calculations and a source familiar with the matter. The bulk of that will be made up of TeliaSonera's stake.

Following the IPO, Usmanov's AF Telecom will continue to hold more than 50 percent of the company. TeliaSonera will cut its 35.6 percent ownership but will keep a long-term strategic ownership of at least 25 percent plus one share.

"We are happy to have reached this stage of the process," TeliaSonera chief executive and president Lars Nyberg said. TeliaSonera expects proceeds of 9 billion to 11 billion Swedish crowns (\$1.3 billion to \$1.6 billion).

Analysts expected the IPO to be priced at the lower end of the indicated range where MegaFon would be valued in line with MTS and VimpelCom.

"Taking into account current market conditions, the lower end [of the range] looks more realistic," said Sergei Libin, a Moscow-based analyst at Raiffesenbank.

MegaFon said it would pay annual dividends at 50 percent of net profit or 70 percent of free cash flow, whichever was higher, conditional on a ratio of net debt to core earnings of 1.2-1.5.

Institutional bookbuilding and the road show were expected to end on Nov. 27 with pricing, allocations and dealings in the shares starting the following day.

The float by MegaFon could rank as the biggest by a Russian company since Internet search group Yandex raised \$1.4 billion in New York in May 2011.

The Federal Anti-Monopoly Service has approved MegaFon's acquisition of a stake in cellphone retailer Yevroset, the watchdog said, Interfax reported.

Under the terms set by the watchdog, Yevroset will be prohibited from discriminating against mobile operators other than MegaFon.

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- [MegaFon Profit Up 20%](#)
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