

Al Ayyar: The CMA law requires a complete review

Al Rai newspaper, a leading Kuwait daily, recently interviewed Mr Faisal Al Ayyar, KIPCO's Vice Chairman. Mr Al Ayyar provided highlights of KIPCO Group's performance and updates, as well as valuable insight on the country's economic and regulatory environment. Here are some excerpts:

How do you evaluate the CMA?

After more than a year of implementing the CMA law, I believe it requires a comprehensive revision.

Where, in your opinion, are the obstacles in this law?

Let's relate it to our business to provide a better understanding. We sought to issue a KD 80 million bond. We presented the request to the CMA and waited for four months to receive the approval. Meanwhile, we issued international bonds for US\$ 500 million. The irony is that our decision to go to the international market and the completion of the issuance did not exceed 10 days. While we were targeting to raise US\$ 500 million, we received bids for US\$ 3 billion – a six time oversubscription.

With UIC's delisting process from KSE, are you making a statement or warning?

The matter for us is clear. If the KSE provides liquidity through sale and purchase and reflects the true value of the company's share, we can overlook the procedures and other matters that we feel are not practical. However, in this case, we have neither this nor that, and that is the core problem. How do you expect a company that is being traded at half its book value to continue to be listed on KSE?

International stock markets, including regional ones, have started to regain their pre-crisis levels or have come close to doing so. However, KSE remains in the negative and is still moving towards lower levels. What is the reason, in your opinion?

I do not evaluate the market by its name, but through the companies listed on it. Kuwait was greatly affected by the crisis, and some people were reckless in expansions and financial commitments without studying the circumstances, and this had a great impact on the Kuwaiti market. In some instances the reactions have been great and to this day some of our companies are being traded at half their true value, such as URC and UIC.

When do you believe the market will make up its losses like its international counterparts?

The market began to move and by the end of 2013 it became clear that most companies were generating profit. Profitability was coming from banking settlements or business results. Any

investor interested in where the profits are coming from can now know that. Banks have also started to recover, and we believe that the circumstances in 2014 will be better.

Has KIPCO Group left the crisis behind it?

KIPCO has been making profit for 22 years with and without a crisis – we faced an invasion, two wars, internal and external financial crises, and we can say that most of our companies were not affected.

Are there deals or acquisitions coming up for KIPCO Group?

Gulf Insurance has acquired the second largest insurance company in Algeria, and QPIC has increased its stake in NAPESCO and now holds the largest single share of around 30%. URC has projects in Jordan and elsewhere. We have not stopped and our projects continue.

Have you exited from SADAFCO in Saudi Arabia?

No, we have not and the stake is now held by QPIC in the interest of diversifying the latter's activities. There is a form of integration between the operational natures of both companies.

Which sectors do you believe the private sector can add value to?

The healthcare sector, and services such as electricity and water. In education, for instance, the private sector can play a great role. Students that exceed the capacity of Kuwait University are given government scholarships to study in private universities. Educating them here in Kuwait costs less than sending them abroad, so it is a win-win situation.

What about OSN? Where are you in the plans for an IPO and listing?

Every day, we are approached with offers from parties that want to contribute or buy the company. We are exploring our options, and one option is the IPO. OSN is valued between US\$ 2.5 and 4 billion, and all of this is just talk. When the IPO becomes a reality the picture will become clear.

Burgan Bank's latest expansion initiatives included Turkey. Does the bank have any plans to further expand?

We are at a stage of absorbing and developing our organization. Many don't know that a large portion of Burgan Bank's revenues are generated from its business abroad. The bank's returns from its regional subsidiaries in 2013 amounted to 55% of overall returns, with 45% generated from within Kuwait.

Are you looking into acquiring an Islamic banking arm?

We do not intend to go down that route. What we see is that traditional banks can provide a range of Islamic banking services. A prime example of this is in Saudi Arabia, where most of the banks are conventional ones but offer Islamic Banking services.

As for KIPCO's performance, do you expect an increase in profits and dividends paying?

KIPCO, during the past five years which were during the crisis times, distributed dividends around 220 fils. This is not small. It translates to KD 280 million.