

Phoenix Power IPO opens for subscription

Phoenix Power Co SAOG (under transformation) today announced the opening of its Initial Public Offering (IPO) for subscription.

The company owns the largest power plant currently in operation in Oman. The founding shareholders are conducting the IPO to comply with their obligations in the Project Founders Agreement signed with the Government of Oman's Electricity Holding Company (EHC) during inception.

Offer highlights

Phoenix Power is offering 511,910,511 existing shares at a price of Bzs 110 per share (comprising nominal value of Bzs 100, share premium of Bzs 8 and issue expenses of Bzs 2) totaling RO 56,310,156 to the public. The IPO represents an offer of 35% of the share capital. Bank Muscat Investment Banking is the financial advisor and the sole issue manager for the IPO.

The IPO opens for subscription on 10 May 2015 and will close on 8 June 2015. The IPO is open for subscription to Omani and non-Omani investors including individual and institutional investors. In the IPO, 65% of the shares made available for subscription have been reserved for investors applying for a minimum of 1,000 shares and a maximum of 600,000 shares, and the balance 35% of the shares have been reserved for investors applying for 600,100 shares or more, up to the maximum of 51,191,000 shares (which amounts to almost 10% of the total number of shares offered in the IPO).

At the IPO price, the company projected dividend yield comes to 7.3% until FY 2019 (excluding issue expenses). This compares with an average dividend yield of 5.9% for other power companies listed on Muscat Securities Market. The first dividends will be paid in July 2015, and twice yearly thereafter. At the offer price, the company offers an IRR of ~13.5% to the investors as detailed in the prospectus.

About Phoenix Power

Phoenix Power owns, maintains and operates the Sur Independent Power Project (Sur IPP), Sultanate's largest power plant of 2000 MW in operation. The company is owned by a consortium comprising Axia Power Holdings B.V. (Marubeni Corporation, Japan), Chubu Electric Power Sur B.V. (Chubu Electric Power Co, Japan), Qatar Electricity & Water Company, Q.S.C, and Multitech LLC (part of the Suhail Bahwan Group, Oman).

Sur IPP was commissioned on 11 December 2014 and was officially inaugurated on 27 April 2015. The ceremony marked an important milestone in the journey of the company, which constitutes an investment of USD 1.6 Billion, and installed capacity of 2,000 MW, representing about 27.8% of Sultanate's Main Interconnected System total current contracted power capacity (based on OPWP's 7 year statement from 2014-2020).

Strengths of Phoenix Power

- Strategic asset representing c.27.8% of the Sultanate's MIS total current contracted capacity (Based on OPWP's 7-year statement, 2014-2020)
- Contracted power purchase until 2029 with Oman Power and Water Procurement Company owned by the Government of Oman
- Steady and reliable cash flows till 2029, even in a scenario of power demand volatility
- Fuel supply and price risk is mitigated through the gas supply agreement
- Extensive experience and expertise of the founding shareholders with an established track record

On the occasion of the opening of the IPO, Peter Jones, Executive Managing Director of Phoenix Power commented: "Phoenix Power benefits from stable and predictable cash flows. This is on account of the revenues being contracted on an availability basis with OPWP, which is owned by the Government of Oman, pursuant to a 15-year Power Purchase Agreement (PPA) that expires in 2029"

Furthermore he highlighted that: "The Company also benefits from a gas supply agreement with the Government of Oman over the same period. Owing to the well-tested and proven back-to-back contractual framework, the company is not exposed to changes in gas prices and to fluctuations in power demand for power until 2029, thereby offering returns that are unaffected by market downturns."

Subscription

Application forms for the IPO are available for collection at any branches of the six subscription banks: bank muscat, National Bank of Oman, Oman Arab Bank, Bank Dhofar, Ahli Bank, and Bank Sohar.

Information for applicants is available at www.phoenixpoweroman.com/ipo

About the Shareholders

Axia Power Holdings B.V.

Axia Power Holdings B.V. is an entity that is 100% owned by Marubeni, which serves as an overseas investment vehicle for Marubeni's investments into power projects.

Marubeni, acting as the lead member of the consortium, was established in 1858 and grew to become one of the leading Japanese trading houses. It oversees a range of operations that encompass the domestic market, export-import, and offshore trade, with total assets of around USD 70 billion (as of December 2014). As of 1st April 2015, Marubeni has 5 business groups directly under the president and several committees, covering Food & Consumer Products Group, Chemical & Forest Products Group, Energy & Metals Group, Transportation & Industrial Machinery Group, and Power Projects & Plant Group. Power Projects & Plant Group consists of Power Projects Division, Energy & Environment Infrastructure Division, and Plant Division, and it is one of the core group within Marubeni.

Marubeni is very active in the IPP industry, having participated in 49 I(W)PP projects with the total gross capacity of 32,533 MW and the total net capacity of 10,541 MW (as of April 2015) in overseas.

Marubeni's role in the IPP business includes a wide spectrum including development, financing, equity participation as well as engineering, procurement and construction ("EPC") and O&M. Marubeni operates I(W)PP projects in many countries around the world, including Oman, Saudi Arabia, Qatar, U.A.E., Tunisia, Turkey, Portugal, United Kingdom, Jamaica, Trinidad and Tobago, Australia, U.S.A, Canada, the Philippines, Thailand, Taiwan, Pakistan, India, Indonesia, Cambodia, Singapore, and Korea. In addition, Marubeni is an active player in the EPC business and has built over 102,145 MW of power plants worldwide. The power division's vision is to establish itself in the top position in the comprehensive power business in Japan and abroad.

In addition to the power business, Marubeni has a variety of experiences in non-recourse project financing such as LNG related business and ship transportation business. Marubeni has an outstanding record in project financing in emerging markets, and has arranged for funds from various export credit agencies, multilateral institutions, international commercial banks, institutional investors and local banks.

www.marubeni.com

Chubu Electric Power Sur B.V.

Chubu Electric is a wholly owned subsidiary of CEPCo, established to hold shares in and manage Phoenix Power and the operation and maintenance company for the Project.

Chubu Electric's wholly owned parent company, CEPCo, listed on the Tokyo Stock Exchange, is one of the largest among 9 regional power utilities in Japan, operating its own power plants, transmission and distribution systems. With its 33,386 MW generating capacity, CEPCo serves approximately 39,000 km² and 16 million people and a significantly manufacturing focused area with companies such as Toyota Motors based in the region. CEPCo has vast experience over the years of power business and operation since its foundation in 1951.

CEPCo also has an established international business focused on power generation and related businesses in Middle East, Asia and North America, and is involved in a number of independent power projects as shareholder, developer and operator comprising net capacity of 3,260 MW. In terms of having business experience in the Middle East area, CEPCo is participating in 3 IPP/IWPP projects as a shareholder in Qatar and is engaged in technical partnership scheme with the local power sector there.

www.chuden.co.jp/english/

Qatar Electricity & Water Company

Qatar Electricity & Water Company, Q.S.C (QEWG), a Qatari Shareholding Company, was established in 1990, with the Government of Qatar as a major shareholder. QEWG has since been successfully meeting Qatar's ever-increasing demand for electricity and water. It is one of the major companies in Qatar and the GCC region and owns and operates a vast network of power generation and water desalination stations in Qatar. The company has increased several folds its production capacity in the past 10 years. Outside Qatar, the company has stakes in Jordan and Oman. QEWG's current total equity portfolio includes over 5,635 MW of power generation and 294 MIGD of water desalination capacity (including projects under construction) of which QEWG solely owns and operates 6 stations with total production capacity of 2,049 MW of power and 201 MIGD of water.

www.qewg.com/qewg/en/

Multitech LLC

Multitech is part of the Suhail Bahwan Group, a leading business house in Oman.

Multitech is the investment arm of the Suhail Bahwan Group for participation in power and water privatisation projects in Oman. Multitech is the founding shareholder in:

- ACWA Power Barka SAOG (Barka 1 IWPP);
- Al Suwadi Power Co. SAOG (Barka 3 IPP);
- Al Batinah Power Co. SAOG(Sohar 2 IPP); and
- Phoenix Power Co. SAOG (under transformation) (Sur IPP).

Multitech also engages in the trading of welding products, electrical products, water treatment & oilfield chemicals and cranes.

Multitech is under the day to day management of Bahwan Engineering Company LLC, the flagship of Suhail Bahwan Group.

www.suhailbahwangroup.com

Ends.