

# BCI and BIG lead Cahora Bassa hydroelectric initial public offering

Hidroelétrica de Cahora Bassa, concludes the sale of 4% of its share capital in a uniquely structured initial public offering



Banco De Investimento Global (BIG)

In July 2019, Hidroelétrica de Cahora Bassa, S.A. (HCB), concluded the sale of 4% of its share capital through an Initial Public Offering (IPO) in the Mozambique Stock Exchange – making it the largest equity capital markets transaction to ever occur in Mozambique at that time, amounting to MZN 3.3 billion (~ \$ 50 million). HCB is the concessionaire company responsible for exploring the Cahora Bassa dam, one of the largest dams in Africa, with an energy generation capacity of 2,075 MW. The company was established in 1975, through a consortium between the Mozambican State and the Portuguese State, and currently sells energy under long-term PPAs to public utility companies in the SSA region.

The transaction carried a high level of importance, not short because the decision to sell was announced in November-2017 by the President of Mozambique itself, on the occasion of the 10th anniversary of the Mozambique State taking majority control of the Company from the Portuguese State, but also because HCB is frequently referred to as Mozambique's crown jewel and a source of great pride as a financially healthy State-owned company and a large contributor to the country's finances.

## ENABLING OPPORTUNITY

The objectives of the IPO were mainly to enable the opportunity for every Mozambican individual, company or institution to participate in the capital of such a flagship-Company, and to support the development of a still incipient equity capital market in Mozambique. The success of the transaction would then not only be measured by placement capacity, but also, through

reach and inclusion i.e. the capacity to attract individual shareholders from different parts of the country and different levels of income.

BCI and BIG, two local Mozambican banks acted as Global Coordinators (GCs) for the transaction, supporting the company throughout the process, which took almost 12 months of preparation.

For the definition of the structure of the transaction and considering the inclusion objectives of the IPO, the structure was designed in a way whereby preference would be given to orders placed by individuals in the retail segment, and lastly to corporate and institutional investors. A specific segment was created to allow low income investors to invest from as little as MZN 60 (\$ 1), exempt from any bank commissions or stock exchange fees.

The uniqueness of the transaction and the characteristics of the country, required the development of an unparalleled marketing strategy which included financial literacy campaigns, widespread advertisement through traditional media (TV, print, radio – including local languages) and social media, the devel-



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opment of a micro-website for the IPO and a dedicated and free call centre. A placement syndicate of 15 banks was also arranged, ensuring a market share coverage of more than 98% of the country's customer deposits.

To reach the non-banked and people living in areas not covered by banks' branches, innovative subscription channels were developed, which included a mobile APP and a USSD trading platform, interoperating not only with the banking platform but also with mobile money schemes, enabling any individual to subscribe shares from any mobile phone holding a registered Mozambican mobile number, without internet data or use of air-time, and without a bank account.

The results of the IPO were very successful, with demand higher than anticipated at 2.2x the initial Offer size. A total of 19,210 orders were received from 16,787 investors, of which 99.2% were individual investors. The objectives of reach and inclusion were successfully achieved with orders received from all provinces in Mozambique, and over 92% of districts. Orders received from the innovative remote channels amounted to 36%. The impact in the stock exchange was also significant, as the number of registered investors in the exchange almost tripled from less than 8,000 initially, to approximately 23,000 after the transaction.