

Tunisian IPO Highlights Growing Foreign Investor Appetite

A heavily oversubscribed IPO by one of Tunisia's key companies and smooth parliamentary elections held last weekend are helping the country attract more attention from foreign investors.

Shares in Delice Holding, a consortium of companies that make dairy products, started trading on October 16 following an IPO that was almost 16-times oversubscribed. The company, which has a market capitalization of \$475 million, sold 15% of its shares in the IPO.

Boubaker Mehri, the firm's chief executive, says Delice Holding, which was founded by Hamdi Meddeb, was looking to come to market in an effort to attract foreign investment. "We wanted to have funds in our business from independent sources outside the family," Mr. Mehri said in an interview.

Observers of the Tunisian market believe Delice Holding's IPO signals the strengthening of a stock market that, according to research provider Capital Cube, includes 72 listed companies with a total market capitalization of around \$8.7 billion. They also expect more companies in the consumer sectors, such as diaper maker SAH Lila and baker Moulin D'Or, to launch their own IPOs soon as they seek to grow their presence in a market where at least two thirds of the population is classified as middle class.

Matthew Spivack, practice leader for the Middle East and North Africa at consultant Frontier Strategy Group in London, says that despite Tunisia having a small population relative to other countries in the region, investors are interested in consumer goods companies because of the country's relatively stable market and a return of growth in consumer-oriented sectors.

"It is interesting to see some activity in Oman and Tunisia, because these are among the markets that are gaining a lot of new attention from clients who are looking for markets to help fulfill ambitious growth plans for the next few years," he says.

Others agree. Slim Feriani, executive chairman of Advance Emerging Capital, a London-based investment manager, says: "Firms like Delice Holding are putting the Tunisian stock market in the spotlight."

Feriani's own funds didn't invest in Delice Holding but he believes there are considerable opportunities in Tunisia. "It's important to take into consideration the specific dynamics of the Tunisian market, which is an inefficient frontier market, where stock prices are driven by local [primarily retail] investors rather than sophisticated foreign institutional investors," he explains. "Delice Holding's IPO represented an attractive entry point for long-term investors."

Investors have been wary of putting significant resources into North Africa in part because of recent events. Tunisia was the cradle of the Arab Spring that led to the ouster of a number of dictatorships. Delice Holding's Mr. Mehri admits the country still has a somewhat shaky political situation. "We are still in transition and we have some instability," he says. "But we are determined to build a strong democracy."

The peaceful parliamentary elections last weekend have been hailed as a return to political stability by some observers. London-based analyst Capital Economics noted: "The fact that the election passed smoothly and that there is a growing consensus among politicians in all of the major parties to push through difficult policies to reduce the economy's vulnerabilities and raise investment mean that the country's longer-term growth prospects are brightening."