Kuwait Times
Established 1961

Business

TUESDAY, JANUARY 9, 2018

RIYADH: The listing of Saudi Aramco is a mammoth undertaking and any banks chosen to be global coordinators will join JPMorgan, Morgan Stanley and HSBC, who were appointed last year.

Aramco invites bankers to discuss IPO

Citi, Goldman among banks invited to meetings on listing

LONDON/DUBAI: Saudi Aramco has invited banks pitching for roles in its stock market listing, including Citi and Goldman Sachs, for meetings in the kingdom in the coming weeks to make their case, according to three banking sources familiar with the matter.

The meetings are an indication that preparations for a 2018 initial public offering, which could be the biggest IPO in history, are progressing despite market speculation it could be delayed or even shelved.

Executives from Citi, Goldman and Deutsche Bank, which are all bidding to be global coordinators for the share sale, are among the teams invited to present their pitches in person, said the three sources, including two bankers who expect to attend the meetings. The talks will be held at the end of January or beginning of February in the Eastern Province city of Dhahran, where the state oil company is headquartered, they added. Two of the sources said the talks would involve members of the banks' equity capital markets teams, executives who would be directly involved in an IPO, rather than top management.

Saudi Aramco, Deutsche Bank, Citi and Goldman Sachs all declined to comment. The stock market listing of the national champion is a central part of Crown Prince Mohammed bin Salman's reform drive aimed at restructuring the kingdom's economy and reducing its dependence on oil revenue.

The government, which aims to float up to 5 percent of the company this year, says Aramco is worth $2 trillion - but several industry experts have questioned whether a valuation that high is realistic. Aramco had asked the banks to present written pitches last month, according to the sources. The oil giant told bankers not to come up with a valuation, saying it had not provided enough financial information to do so, two of the sources said. Preparations for the IPO might be gathering speed just as the price of oil has approached $70 per barrel, the highest since mid-2015, giving Aramco a better chance to achieve its desired valuation and become the world's most expensive company.

Saudi giant's IPO could be the biggest in history

Crown prince

The listing is a mammoth undertaking, and any banks chosen to be global coordinators will join JPMorgan , Morgan Stanley and HSBC, who were appointed last year.

With so many banks expected to share the fee pool, the advisory mandates are not viewed in the industry as particularly lucrative. But bankers see such roles as a gateway to a host of other deals they expect to flow from the kingdom's plan to revamp its economy. In another sign that plans for the IPO are moving ahead, Saudi Arabia has changed the status of Aramco to a joint-stock company as of Jan. 1, according to a cabinet decree published in the kingdom's official bulletin last week. The change of status is a requirement for Saudi companies before they can list, a senior Aramco source told Reuters.

However the final decision about if and when the listing takes place rests with Crown Prince Mohammed bin Salman, according to several banking sources.

The prince led an anti-corruption purge which saw several Saudi royals, ministers and businessmen detained late last year. It was the latest in a series of steps he had taken to assert Saudi influence internationally and amass more power for himself at home.

As well as the economic reforms, the daunting list of challenges undertaken by the 32-year-old since his father, King Salman, ascended the throne in 2015 include going to war in Yemen and cranking up Riyadh's confrontation with arch-foe Iran. — Reuters

German metalworkers launch mass strikes

BERLIN: Germany's powerful metalworkers' union launched mass strikes yesterday over pay and working hours that could impact a key industry and the shape of labor nationwide.

IG Metall are not just asking for a pay rise but also demanding that all workers have the option to temporarily switch to a 28-hour week in the pursuit of better work-life balance.

Even more controversially, it wants shift workers and those caring for children or elderly relatives to be compensated for some of the salary loss that would come with clocking up fewer hours. Employers say such a drastic change would be illegal and have threatened to go to court to stop the industrial action.

Dozens of walkouts began across the country in the morning, at firms like car industry titan Volkswagen and its subsidiary Porsche, train manufacturer Bombardier or elevator maker Otis.

IG Metall also announced the names of 143 firms targeted for strikes today. So-called "warning strikes" are a familiar feature of the annual collective bargaining process, with workers downing tools for a few hours to demonstrate at factory gates and in town squares.

IG Metall expects up to 700,000 to participate in the ritual, running for at least a week from Monday. Strikes will stretch from Germany's "rust belt" in western North Rhine-Westphalia state to Brandenburg, Saxony and Berlin in the former communist east and the hyper-modern car factories of southwestern Baden-Wuerttemberg. If the two sides cannot agree on the terms of the negotiation by late January, the stage could be set for longer, more damaging walkouts. There has been no nationwide, open-ended strike in Germany since 2003.

Trailblazers

Boasting some 2.3 million members, IG Metall is Europe's largest trade union, representing workers of all kinds in industrial conglomerates like Siemens or Thyssenkrupp, steelmaking, the auto industry, electronics and textiles. The sheer weight of the metal and electrical industries' 3.9 million workers often draws other sectors along in its wake when it comes to pay deals and 2018's showdown could make for massive changes. Unions are demanding a pay rise of 6 percent this year. While the figure is triple bosses' initial offer of 2 percent, it is a classic starting position to wring out a compromise. Far more contentious is their other headline demand-the right for workers to switch from 35 to 28 hours per week for up to two years, with the employer guaranteeing the right to return to full-time work-as well as paying some of the salary shortfall in certain cases.

IG Metall says the proposal would give workers a better quality of life. "Our demands are economically sensible, affordable and the right answers in the modern work environment," Bernd Kruppa, the chairman of IG Metall in Leipzig, told DPA news agency. Employers fear up to two-thirds of workers could be eligible, leaving factory floors bare and prompting a new administrative tangle. And they argue that the change would be unfair to those who have already taken a pay cut when switching to part-time.

The Gesamtmetall employers' federation has blasted the demands and any industrial action workers take to achieve them as outright "illegal", threatening to take the question to court.

STUTTGART: Employees of the Porsche AG company hold flags with the logo of Germany's metalworkers' union IG Metall as they demonstrate yesterday in front of their plant in Stuttgart, southern Germany. — AFP

Industry leaders in metal and electricals-key sectors for Germany that are in otherwise rude health-are keen to avoid a drawn-out industrial dispute. "In general, strikes are not an appropriate means to resolve salary disputes. They hurt exports, and thereby the company and in the end the employees," said Bertram Brossardt, head of the employers' association for the sector in southern state Bavaria. — AFP