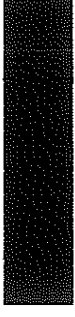


SEBC / SME – Support Programme



WHY TO GO PUBLIC

Mr. Abdul Kader Husrieh

Why To Go Public?

**Syrian Enterprise & Business Centre
Syria February 2008**

Abdulkader Husrieh, MBA, CPA, CIA, CVA, Member of the
International Association of Consultants & Valuers & Analysts

Contents

- Why to go public: Advantages & Disadvantages
- The regulatory framework
- Valuation Process
- The IPO Process
- Damascus Stock Exchange
- Does One Size Fit All?
- Q&A

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Going Public

- The process of registering a company's shares of stock with the Securities and Financial Markets Commission and offering the stock for sale to the public

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Why to Go Public?

Advantages

- Access to capital
- Liquidity
- Compensation
- Prestige
- Publicity
- Mergers and Acquisitions
- Exit Strategy

Disadvantages that must be considered:

- Profit-sharing
- Loss of Confidentiality
- Reporting and Fiduciary Responsibilities
- Loss of Control
- IPO Expenses
- Lock In Period
- Legal Liability

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The Syrian Past Experience

- Quite few IPOs in 4 decades
- 10 banks and 4 insurance companies
- Several manufacturing companies & One distribution company
- Lack of awareness
- Regulatory framework in development
- Institutions in development

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How to Go Public: The Main Stages

- Decision to Go Public
- Appointing the Team
- Valuation Process
- Securities and Financial Markets
Commission's Approval
- The IPO Process
- The Promotional & Marketing Campaign
- The Constituent Assembly Meeting

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The Regulatory Framework

- Law 61 of 2007
- The Draft Company Law
- The Law 55 of 2006

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Legislative Decree 61 of 2007

- Scope
- Valuation
- Tax Due
- Approvals
- Tax Implications

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The Draft Company Law

The Draft Company Law is under discussion:

- License
- Promoters
- Minimum Capital
- Maximum Ownership
- Minimum Amount to Offer
- Valuation
- Securities and Financial Markets Commission Approval

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Law 55 of 2006

- Team of Advisors & Consultants
- Prospectus Preparation
- Payment of Capital
- Approval of IPO
- The IPO
- The Allotment

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The Valuation Process

- Selecting Valuer
- Providing the information requirements
- Discussion of the Valuation Report
- The Premium
- Valuation FQA
- IACVA: International Association of Consultants & Valuers and Analysts

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Closely Held Companies Valuation

Common Problems in Valuing Closely held companies:

- Accounting Standards or lack of which may distort the economic reality
- Highly aggressive use of expenses to avoid unnecessary taxes, which leads to low reported income, resulting in low asst-values in general (inventory, depreciable assets, prepaid expenses)
- Historical cost in nature
- Economic financial statements can be costly to generate: supportable data may not be easily available, many industry analysis not available or at cost
- Unfortunately, these adjustments often result in adjusting items that may or may not be relatively easy to support. Many adjustments need to be made to the financial statements

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The IPO Process

- Selection of the IPO Manager/ Undertaker
- Selecting the Banks
- Selecting the Marketing Consultant
- The IPO
- Allotment
- Preparation for Constituent Assembly

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Damascus Stock Exchange

- The membership of the Stock Exchange shall be mandatory for all licensed financial services and intermediary companies
- The Market is in the development stage
- Draft listing requirements is prepared and expected to be approved in the near future

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Registration with SMFSC

- Every Issuer of securities, whether it is a new joint-stock company or an already-established one, that has increased its capital through a public offering or via adding assets, profits or issuance premium or capitalizing debts or any other securities that are not stocks, shall submit an application through the Issuance Manager to the Commission for the registration of such securities.
- The company resulting from the conversion of its legal capacity into a joint stock company shall apply to the Commission for the registration of its securities within six months as to the date of completion of the conversion procedures at the Ministry of Economy and Trade and the issuance of the final approval thereof.
- a. The Commission charges for registration of securities 0.003 of the nominal value of the securities to be issued by joint-stock companies.

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Does One Size Fit All?

The Practical Considerations

- Economic Considerations
- Financial Considerations
- Social Considerations

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Q&A

THANKS