The Public vs. Private Debate

With more than two decades of experience as an advisor on key equity transactions in Bahrain, SICO has witnessed the benefits of the public market approach for both companies and investors

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Ms. Najla M. Al Shirawi, Chief Executive Officer of SICO

Companies looking to expand and grow business need to attract capital from investors usually by either seeking out private individuals or institutions or by offering their stock for sale to the public. Likewise, investors with capital to expend have two avenues that they can pursue; they can invest in either public or private companies. As a leading GCC asset manager and investment bank, SICO knows both private and public markets well. While each has its pros and cons, we believe that equity markets have much to offer for both companies and investors.

For over two decades, we've been a pioneer in the Bahraini equity market, bringing together investors and corporations on transactions totaling over USD 3 billion. In fact, SICO has advised on the majority of equity capital market transactions on the Bahrain Bourse, including all landmark offerings and IPOs. Our insight into the investment landscape comes from long experience, and it has shown us some of the key benefits of the public market approach, for both companies and investors.

Without a doubt there are advantages to private equity investing. Lower regulatory burdens mean that private equity deals can happen more quickly, private investors tend to be sophisticated partners who are often willing to give long-term commitments, and the structure of private investments makes them less subject to market fluctuation. Private companies also have the advantage of maintaining a degree of independence and flexibility in their day to day operations while public companies have less leeway and are required to give seats on their board of directors to non-executives representing major investors. On the downside however, companies that stay private can see liquidity costs pile up, and private equity pools can be limited particularly during periods of geopolitical uncertainty.

Publicly traded companies, on the other hand, are able to gain access to a broad range of investors and multiple sources of capital. With a robust public market, companies can tap into both retail and institutional investors efficiently and effectively. Public markets can also give companies the opportunity to achieve higher valuations than private companies, and for founding and family shareholders this ensures better exit options and more lucrative returns in the case of future liquidity events.

Equally important is the elevated status that companies immediately attain once they go public. When a company IPOs, its credibility surges in the eyes of the public, its suppliers, and its customers, which in turn helps it to attract talent, leverage equity, and in a virtuous circle, raise capital on better terms. Public markets also enable a range of investment products, from equity funds to derivatives, increasing options for companies and investors alike, and thus attracting the broadest participation of capital.

While regulatory authorities in public markets do indeed impose obligations on a company, the long-term outcome of that process is definitely positive. It's a straightforward concept: all investors should have access to basic facts about the investments they buy into. As a result, public companies are forced to disclose meaningful financial and operational data at regular intervals to ensure that all investors have equal access to information. The discipline and best practices that come from regulatory reporting and compliance, while burdensome at first, is actually good for the health and stability of the company. Engaging with shareholders and addressing investor queries results in better corporate governance and better protection for minority investors.

A number of companies in the GCC benefit from licenses and rights to valuable national assets—oil and minerals, for example, or even a telecom spectrum. When these types of companies list on an exchange, it provides important transparency, and allows smaller investors, in addition to the nation and the company's shareholders, to participate in the value these resources generate.

Bahrain is a country with high standards when it comes to regulation, and flexibility when it comes to understanding the needs of investors. The Bahrain Bourse, as a result, has become a key market in the GCC, and SICO has made a name for itself as the go-to investment bank in the Bahraini market. We have executed deals across all sectors, from construction and real estate to banking, insurance, and consumer finance. We've arranged primary and secondary issuances, advised on valuations, and guided clients though complex M&As. For a select range of Bahraini stocks, SICO ensures essential liquidity by acting as market maker on the Bourse.

Our team works with management and shareholders to attract investors and create fit-for-purpose solutions, both for equity and debt capital. It is a role we are proud of, and our key values of acting prudently and professionally and of upholding transparency, support us strongly in this endeavor. Public markets provide solid ground for investors and companies alike, and SICO is happy to be paving the way.