

# Case Study: Traveling the Hard Road to an Iraqi IPO



**John Hobday**  
Senior Managing Director  
Strategic Communications  
FTI Consulting

Asiacell Communications, the second-largest telecommunications company in Iraq, last year brought a \$1.24 billion offering to the Iraq Stock Exchange (ISX) — the first major public share offering since the fall of Saddam Hussein. The road to market was fraught with danger but succeeded due to the strength of the company, the potential of the Iraqi market and a communications campaign calibrated to a unique environment.

## Wherever you go in Iraq, you see guns.

There are guns at the airport in Baghdad when you land. In the terminal, you see people who are maimed, many missing arms and legs.

You leave the airport for your trip to the hotel in Baghdad (an hour-and-a-half drive) in a fully armored Land Cruiser. You ride with six armed security guards. They tell you never to leave the car, under any circumstances, for whatever reason, unless they tell you it's safe to do so. Then, at one of the many checkpoints on your way into the city, agitated men with automatic rifles shout at you to get out of the car. They bang on the windows. They point their guns at you. Your security guards tell you to stay put.

The guards get out of the car to talk

with the men at the checkpoint. Your guards are trained. They're big men, preternaturally calm. They don't take their guns.

You sit in the heat in your armored vest (mandated by your insurance company), watching as the men at the checkpoint wave their rifles. You listen as their voices slowly become lower, their tone more conversational. They finally wave you on.

You're back on the road to Baghdad, and you're way out of your comfort zone. In Iraq, the threat of violence and sudden death is never far away.

You cannot help but think about the possibility that something will go wrong — that something will end badly.

In the lobby of your hotel, there are more men and more guns. At least you can take off your vest. The hotel is in the Green Zone. It's safe, you're told. But you put your vest back on to leave the hotel, to get back into the Land Cruiser to go to the Iraq Stock Exchange.

To get into the ISX, you pass through several security gates ringed with barbed wire. You stop. Men with guns pat you down and search your car.

Inside the exchange, on the desk of the Chief Executive of the ISX, Taha al-Rubaye, next to his Bloomberg screens, there are monitors connected to security cameras that show the holes in the streets outside the exchange. They show the bombed-out buildings. The chief executive makes his way to the exchange every morning — past the checkpoints, the guns and the bombed-out buildings — to make sure that it opens for the day. The screens will tell him when it's safe to go home.

Also on his desk, within easy reach, a pistol stands at the ready.

It was in this environment that FTI Consulting last year helped Asiacell bring its \$1.24 billion share offering to the ISX — the first major share offering in Iraq since the fall of Saddam Hussein in 2003 and one that represented a quarter of the total market capitalization of the exchange. And beyond its ability to add value for the ISX and the recovery of Iraq after more than a decade of war and social disruption, Asiacell's initial public offering (IPO) represented a huge step toward helping a tortured, war-torn nation become an active participant in the global economy, opening up opportunities both for Iraqis (at home and in its large expatriate community) and for foreign investors.

As Asiacell Chief Executive Officer Diar Ahmed said, "I cannot underestimate what a vast undertaking the Asiacell share offering entailed. It truly was a historic transaction for Iraq. Of the many challenges we faced, educating and persuading Iraqis to consider investing in shares generally, and in our company specifically, constituted one of the most significant."

## Sending the Right Message the Right Way

Thanks to 10 years of near constant fighting, Iraq today is almost entirely



**John Hobday on location in Iraq.**

a cash society. Taking people on a journey from cash to the concept of equity ownership is a hard road to travel, a complex conversation to have. The challenge is in educating people who live with the reality of daily skirmishes, explosions and gunfire in the streets to take a long-term view, giving them confidence that when they subscribe to a stock offering, they may not get a return equal to or greater than the amount of their investment but that they will get back fair value.

Even though cell phone penetration in Iraq is the lowest in the Middle East other than in Yemen, the growth opportunity with Asiacell was huge. This environment, however, posed two major problems for the Asiacell offering and for foreign investment in general.

The first problem was that as participants in an underbanked, cash-based economy, Iraqis interested in taking advantage of

the Asiacell stock offering first had to get their cash and take it to a bank (braving the checkpoints and the guards). Only then could they fill out the forms required to subscribe to the offering. These are all dangerous, unfamiliar activities that require no small measure of physical bravery to perform.

The second challenge was that the level of security required to do business in Iraq produces high costs, running up to \$6,000 a day. That includes personal risk insurance and the expense of hiring the necessary security personnel. Add to that the price of flying into Baghdad from, for example, Beirut (\$2,000 one way) and the ever-present possibility of physical harm, and you have powerful disincentives for foreign investors and businesspeople (both as individuals and as representatives of corporate enterprises) looking to do deals in Iraq despite the fact that it is a country rich in natural wealth and human capital — an educated, sophisticated society with universities to rival any in the world.

Contributing to the complexity of mounting the Asiacell IPO and educating potential investors about the culture of equity ownership were the problems presented in dealing with the Iraqi media. In nations more familiar with stock exchanges and less embroiled in political unrest, business is promoted largely through a relatively disinterested press operating on generally accepted journalistic principles. In Iraq, however, the print media is not trusted. It is seen as a mouthpiece for whatever tribal interests own it. And given the deep political rifts



**Neil Doyle, Senior Managing Director, Strategic Communications, UK pictured with a guard.**

and divides in Iraqi society, business coverage invariably is highly politicized. Consequently, Iraq's print media lacks the trust and influence the Western and Asian business media possesses. Interests that seek to tell their story through the Iraqi press will find themselves disappointed, their message ignored by large swaths of the populace they seek to influence. Other channels must be deployed and leveraged to reach a broad audience.

FTI Consulting's commitment to support the exchange's effort to educate Iraqis about the concept, value and culture of equity ownership, therefore, was executed through a multi-faceted ground-level strategic communications program that spoke to the Iraqi people as simply and directly as possible.

## The Personal Touch

The FTI Consulting team — making frequent visits to Iraq that were never easy and often dangerous — worked with the ISX to support its self-defined mission of inclusive marketing and broad equity ownership. To do so, FTI Consulting, working in three languages (English, Kurdish and Arabic), focused on broadcast media — television and radio — both to avoid the biased print media and to leverage the greater trust most Iraqis place in faces they can see and voices they can hear.

The FTI Consulting team worked to devise messages and scripts — a coherent, consistent narrative — that did not overpromise, make forward-looking statements or push a didactic agenda. The team conducted face-to-face seminars with interested Iraqis that stressed the strength of Asiacell's business, its management team, the 10-year history of the company and the opportunities in the telecom sector, along with the essentials of equity ownership. This personal touch was necessary and advisable both because Iraqis are distrustful of all media (and after years of Saddam Hussein's state-run media and dictatorial rule followed by years of U.S. occupation and sectarian war, why

wouldn't they be?) and because there still exists a fundamentally traditional society that values the intimacy of direct, coffee-shop communication.

The FTI Consulting team's challenge was to scale that intimacy by delivering live broadcasts (if something is said live, on air, it is more credible than something that is widely believed by Iraqis to have been calculated and massaged before it appears in print or on tape) and by burning shoe leather to mount direct marketing efforts to groups that have responded to the message.

The live broadcasts, with scripts drafted by FTI Consulting, largely were educational in nature: the character of a share; why an exchange might be a better venue for cash than a mattress; how to apply for a stock offering, etc. The scripts left space for confidence-building discussion and debate. It was critical that the messaging around the Asiacell offering not be perceived as propagandistic or overly directive. That would bring back bad memories of the Saddam Hussein era. The idea behind FTI Consulting's campaign was to encourage people to be open-minded to the opportunities that might be coming their way.

Additionally, FTI Consulting worked with the international media to frame the story as more than a history of Iraq's troubles. In communicating with the foreign business press, the FTI Consulting team stressed that there was a successful company at the heart of the IPO — a well-managed, growing, service-oriented business that for 10 years had flourished in one of the world's most difficult business environments. To attract the foreign investment that was critical to the IPO's success, it was important for the business media outside Iraq to understand both the viability of the company and the potential of the investment and to write about that, not the bombs. FTI Consulting briefed journalists from key international media publications — such as *The Wall Street Journal* and the *Financial Times* — that are read and trusted by emerging and frontier market investors and arranged interviews not just with Asiacell executives

but with interested third parties keen to speak about Asiacell's and Iraq's potential. FTI Consulting also extended its information campaign to countries with large expatriate Iraqi populations such as Turkey, Jordan and the United Arab Emirates to ensure that members of the Iraqi diaspora — well-educated and not without resources — would be aware and supportive of the Asiacell transaction.

## A Harbinger of Future Opportunity in Iraq

By definition, much of the Middle East is a developing market, and Iraq's potential is as great if not greater than that of any country in the region. Compared with other Middle Eastern nations such as Saudi Arabia or Iran, Iraqi society is less complicated and less burdened by religious and cultural barriers to global business and investment.

Iraq's people have survived a horrific decade, and, although not yet out of the woods, they stand poised to remediate the current unfair distribution of wealth derived from the country's abundant resources. Its population is well-educated, and there exists a diaspora of Iraqi intellectual and financial capital eager to return to help build a new Iraq.

The Asiacell engagement bears witness to the fact that a business transaction as sophisticated as an IPO can be conducted successfully in Iraq right now. Tomorrow, access to the Iraqi market will become even more valuable, and those parties with on-the-ground experience and expertise will be best positioned to take advantage of the opportunities that inevitably and assuredly will arise. ■

### John Hobday

John.Hobday@fticonsulting.com  
Senior Managing Director  
Strategic Communications  
FTI Consulting

For more information and an online version of this article, visit [ftijournal.com](http://ftijournal.com).