

# Croatia: Morgan Stanley, UniCredit and SberBank preparing power utility HEP for privatization

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Value assessment of state owned power utility company HEP is part of the Gov strategy to push for IPO and potential entrance of new strategic partner. Investors would be able to get some of HEP power generation facilities.

In his introduction public addressing the new Croatian PM stated that he considers state owned power utility HEP (Hrvatska Elektroprivreda) a strategic company which will have the state aid in the future. On the other hand some international companies expressed interest in strategic alliance with HEP and the fact that EU Commission transmitted the opinion that HEP needs to restructure horizontally the entire company.

Privatization is real option for new Croatian government but it will be more a matter of political decision than actual business decision. Considering the fact that HEP hired Morgan Stanley, UniCredit and SberBank to prepare IPO stock market listing then there is no doubt that privatization or some kind of it is planed by government. What could be offered to private investors are only some of the bigger power production facilities. Preliminary value of the company surely exist and it is realistic to expect that IPO preparations will be ready by end of 2016.

The best price could be achieved with direct talks with potential strategic investor-partner because IPO are related to discount prices. In case of oil company INA the strategic partner entrance was the first step and then later the IPO process.

In this rainy year the value of HEP could be high priced but the company value assessment is being done with long-term projections of cash flow. In average a 5 year projection plus some terminal values.

Potential sale of company or entrance of strategic partner could impact the value of the company for 10 or 20 %, transmits [Serbia-energy.eu](https://serbia-energy.eu)