

# Why Central Asia is set to flourish

Kazakhstan already plays a crucial role in global logistics, yet its companies are largely unnoticed. **Ramon Pedrosa** explains why now is the perfect moment to brush up on your knowledge of the region.

Rudyard Kipling once wrote, “East is East, and West is West, and never the twain shall meet.” This made sense in a world without modern stock exchanges and high-frequency trading. Today, however, financial markets constantly bridge East and West.

When the typical British, American, or European investor thinks of ‘the East’, it probably has Shanghai, Hong Kong, Shenzhen, Tokyo, Abu Dhabi, or Singapore in mind. Maybe India, but most probably not Kazakhstan, Uzbekistan, or other Central Asian markets. Such is the tyranny of maps and of historical ties.

However, Central Asia is fast-becoming one of the most interesting regions in the world for Western investors to tap, if only because few have done it so far.

## Centre of the world

Astana, the country’s capital, is growing as fast as Dubai in the nineties. Almaty, the financial city and original capital of the country, is a global hub with nothing to envy any European financial centre. These are active, fast-paced markets, where perhaps the biggest handicap is the low penetration of retail investors and the lack of interest from institutional ones.

This is a surprising market. Maybe the last surprising market. The country has spent the last 30 years quietly building a market where companies are solid, fundamentals are excellent, and issuers are growing by adding value to the real economy: mining, renewables, or finance.

As one of my clients, Kazakh investor Kenges Rakishev (former majority shareholder of Petropavlovsk and of Central Asia Metals), has written: “Kazakhstan is at the centre of the world, with China to the East, India to



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the South, Europe to the West, and Russia to the North.”

Around 89% of the world’s freight traffic between Europe and China passes through its steppes and across one of its 12 logistics corridors. In the waters of the Caspian Sea (Kazakhstan is the world’s largest landlocked country), trains unload directly onto ships. It is a spectacular sight.

The region is becoming a once-in-a-lifetime opportunity for investors, but its lack of global visibility makes it go unnoticed. That is where we, IR professionals, come into play.

In the past two years, the country has begun taking its state-owned companies public – these are typically listed on three exchanges: the LSE or Nasdaq, the Astana International Exchange (AIX, located in the Astana International Financial Center, the local free trade zone), and the Kazakhstan Stock Exchange (KASE).

## Links to the City

The Kazakhstan market has historically been close to the City. For decades, the nation’s natural resource companies have sought to list on the LSE and have done so successfully, in cases like ENRC (now ERG) that in 2007 floated 18% of its equity there.

Kazakhstan’s market capitalisation exceeds \$60bn, between the two stock exchanges, KASE and AIX, and all trading is through infrastructures such as the newly minted International Trading System (ITS). A recent analysis stated, “Kazakhstan is a frontier market and, therefore, presents significantly more risk than US or developed country equities. I might add that there are careers and successes to be built here.

As Alina Aldamergen, CEO of the Kazakhstan Stock Exchange (KASE), told me for this piece: “Kazakhstan’s capital market is well positioned for future IPOs as demand for capital raising is increasing. We have a list of advanced companies and we strongly support development of the IR function of our listed companies. As a standard, a number of companies regularly hold issuer days to inform investors about their performance and plans for development.”

In this scenario, Kazakh companies’ problems are clear and self-evident: low capitalisation, limited international presence, thin markets, weak liquidity, and low visibility. The few analyst reports produced on the countries’

companies highlight that companies from this part of the world are penalised for being here despite the country's industrial strength and solid fundamentals.

### The IR challenge

In Kazakhstan, investor relations is a new and still developing field. Despite having access to the same technological resources, databases, and outreach platforms as in London or Los Angeles, their narrative is the main problem for domestic companies (and those in the rest of Central Asia, such as Uzbekistan).

The story of Central Asia traded companies is always similar: companies building industry and growing prudently in a market full of opportunities, but simultaneously in a market that no one knows.

Our work here rests on two main pillars: crafting the narratives of domestic companies and domestic market players in light of their geopolitical situation and conducting investor outreach that often resembles a geography lesson. This may seem obvious, but Central Asia is still in a growth phase, and we advise its companies to go digital and be fully transparent from the beginning.

Central Asian companies need to start having investor relations specialists whose sole focus is crafting and

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consolidating market narratives that investors, local and global, accept. Companies must first work to become known and recognised.

In this part of the world, I advocate absolute coordination between IR and communications departments, with access to the C-suite, more than ever.

Their primary obligation is to develop equity stories and market narratives that clearly explain Kazakhstan's neighbouring countries' position in the global value chain.

You cannot explain a Kazakh company without explaining the market that hosts it. But beyond that, companies must take advantage of this to execute digital platforms that define their value and where it originates from, not simply post disclosure information because someone says they have to.

Implementing financial transparency tools on company websites, such as interactive dashboards and access to databases of historical financial reports, allows for detailed analysis by investors.

Establishing ongoing training programmes for the investor relations team is crucial, as it focuses on international best practices, advanced communication techniques, and new data analysis technologies.

### Modern Silk Road

For all issuers, it is essential to create a coherent narrative highlighting Kazakhstan's international position, its role in the modern Silk Road, and its competitive advantages in key sectors. To put Kazakh companies on the map, you have to precisely put Kazakhstan on the map.

Thirty years from now, the success story of the market and companies like Kaspi, Freedom Finance, Fincraft, Halyk, the national airline Air Astana (try it; it's a marvel!), or the giant Eurasian Resources Group will be a global success story.

I have never seen a market where IR and financial PR, working together, can be as beneficial and instrumental as in Central Asia.

Maybe, this time, East and West finally shall meet. ■



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