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The Development of Uzbekistan's IPO Market: Lessons From UZNIF

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Abstract: The development of an effective initial public offering (IPO) market is an important component of Uzbekistan's transition toward a more market-oriented economic system. During the last decade, the country has undertaken substantial reforms aimed at reducing state participation in the economy, strengthening capital-market infrastructure, increasing investor participation, and attracting foreign capital. The establishment and subsequent initial public offering of the National Investment Fund of the Republic of Uzbekistan (UzNIF) represents a particularly important stage in this process. Established in December 2024, UzNIF was designed as a closed-end investment fund holding minority interests in selected state-owned enterprises. In 2026, the Fund conducted a dual-market IPO involving the Republican Stock Exchange “Toshkent” and the London Stock Exchange.

The transaction is significant because it combined domestic retail and institutional participation with an international institutional offering. The final domestic placement involved 47.94 billion ordinary shares, while the international offering consisted of Global Depositary Receipts (GDRs), with one GDR representing 64,700 ordinary shares. The international placement price was USD 25 per GDR, and gross international proceeds were approximately USD 603.6 million before any exercise of the over-allotment option. The Tashkent Stock Exchange reported 4,943 domestic transactions with a total value of UZS 214.61 billion [1]. The transaction therefore provides an important empirical case for evaluating the opportunities and structural constraints of Uzbekistan's emerging IPO market.

This article examines Uzbekistan's institutional and regulatory evolution in the IPO sphere, analyses the structure and results of the UzNIF offering, and identifies lessons concerning dual listings, investor diversification, corporate governance, disclosure, valuation, liquidity, state ownership and post-IPO market development. The analysis indicates that UzNIF has demonstrated the potential of Uzbekistan's capital market to support large-scale public offerings, but its long-term significance will depend on the development of secondary-market liquidity, institutional investors, transparent valuation mechanisms, investor protection and a sustained pipeline of professionally prepared issuers.

Keywords: Uzbekistan; initial public offering; IPO; capital market; UzNIF; privatization; Tashkent Stock Exchange; London Stock Exchange; Global Depositary Receipts; state-owned enterprises; institutional investors; corporate governance; securities market.

Introduction: Uzbekistan's capital-market development has historically been closely connected with the privatization of state-owned enterprises. The establishment of securities-market institutions during

the 1990s was intended not only to transfer ownership from the state to private investors but also to create mechanisms for mobilizing domestic savings and developing equity ownership. An IMF assessment of Uzbekistan's early privatization process noted that the creation of joint-stock companies, the sale of state shares to the public and the establishment of a stock market were integral components of the country's transformation process [2, pp. 1–8].

The development of the capital market subsequently remained an important component of economic reform. Presidential Decree No. PF-6207 of 13 April 2021 established objectives for further capital-market development, including increasing market capitalization, improving access to capital-market instruments and strengthening integration with international financial markets [3, pp. 1–4]. The subsequent Presidential Resolution No. PQ-291 of 2 September 2023 introduced additional measures concerning market infrastructure, investor participation, foreign investors and capital-market regulation [4, pp. 1–7].

Nevertheless, international assessments have continued to identify structural constraints. The OECD characterized Uzbekistan's domestic capital market as underdeveloped and emphasized the historically dominant role of the state, limited market participation, institutional constraints and insufficient diversification of financing sources [5, pp. 9–18]. The IMF's Financial Sector Assessment Program similarly concluded in 2025 that capital-market development remained constrained by a nascent institutional-investor base, high deposit rates and limited supply of corporate securities, with state ownership continuing to affect the supply side of the market [6, pp. 25–28].

Against this background, the “People's IPO” program introduced a new dimension to the country's privatization strategy. Under the 2024 privatization program, 12 state-owned enterprises were selected for IPO and/or secondary public offering processes [7, pp. 39–41]. The first major offering under this renewed program involved the Uzbek Republican Commodity Exchange (UzRCEx). The offering generated applications from 12.6 thousand individuals and legal entities, with applications totaling UZS 46.6 billion for 3,606,466 shares, equivalent to 108% of the planned placement volume [7, pp. 39–41].

The UzNIF transaction went considerably further in scale and internationalization. It combined a domestic offering on the Tashkent Stock Exchange with an international GDR offering on the London Stock Exchange. The Fund's prospectus stated that the offered securities represented 31% of the Company's share capital, comprising 47,943,008,287 ordinary shares for the Tashkent offering and 1,516,399,262,400 ordinary shares represented by GDRs. One GDR represented 64,700 ordinary shares [8, pp. 4–5].

The objective of this article is therefore to assess UzNIF not simply as an individual transaction but as a case study in the institutional development of Uzbekistan's IPO market. The central research question is: what lessons can Uzbekistan's emerging IPO market derive from the structure, execution and post-listing implications of the UzNIF offering?

METHODOLOGY

The research employs a qualitative institutional and comparative case-study methodology. UzNIF is treated as the principal case through which the evolution of Uzbekistan's IPO market is examined. The analysis combines primary official documents with international institutional assessments.

The primary sources consist of the UzNIF international prospectus, UzNIF's audited financial statements, official announcements of the Republican Stock Exchange “Toshkent,” the State Assets Management Agency's 2024 privatization report, and relevant presidential regulatory acts. International comparative and analytical sources include reports published by the OECD and IMF concerning Uzbekistan's financial sector and capital-market development.

The research applies documentary analysis to five dimensions: regulatory development, transaction structure, investor participation, corporate governance and post-IPO market implications. Quantitative information is taken only from official or institutional sources. Where different official documents report different figures, the article distinguishes between planned or prospectus terms and final transaction results instead of treating the figures as interchangeable.

The analysis also adopts a historical perspective. Uzbekistan's capital-market development is considered in three broad phases: the formation of securities-market institutions during the initial privatization period; the modernization and regulatory reform phase following 2017; and the current stage characterized by larger IPOs, public participation and international listings.

The study does not attempt to estimate future share-price performance or construct an econometric forecast of the Uzbek IPO market. Its purpose is institutional: to identify the conditions under which the UzNIF experience can contribute to a sustainable and diversified domestic equity market.

RESULTS

Evolution of Uzbekistan's IPO environment

Uzbekistan's securities market has developed alongside the country's privatization process. Early reforms created joint-stock companies and mechanisms for selling state-owned shares to the public. However, international assessments repeatedly identified insufficient secondary-market liquidity and limited investor participation as structural problems. The OECD's analysis of Uzbekistan's securities market in the early 2000s, for example, emphasized that the market was still strongly associated with privatization and that broad investor participation and liquidity remained limited [9, pp. 10–16].

The policy framework has changed considerably since then. The 2021 capital-market reform program established a broader institutional objective: the capital market was expected to become an alternative mechanism for financing economic activity rather than merely a channel for privatization [3, pp. 1–4]. The 2023 reforms further emphasized infrastructure, foreign-investor participation, centralized securities accounting and market development [4, pp. 1–7].

The 2024 “People's IPO” program represented an important operational step. The State Assets Management Agency reported that 12 state-owned enterprises were selected for IPO/SPO processes. The UzRCEx offering demonstrated that retail participation could be mobilized when the government, exchange, underwriters and regional authorities conducted extensive investor-information activities [7, pp. 39–41].

This experience is important for UzNIF because it created a domestic investor-participation mechanism before the larger international offering. It also demonstrated that public offerings could be used simultaneously as privatization instruments and as tools for developing an equity-investor culture.

Establishment and institutional structure of UzNIF

UzNIF was established pursuant to Presidential Resolution No. PP-303 of 27 August 2024 and registered as a legal entity on 24 December 2024. It was structured as a closed-end investment fund with an indefinite duration. Its principal activity is the management of a portfolio consisting of minority interests in selected state-owned enterprises [10, pp. 3–5].

An important structural characteristic of UzNIF is that its initial share capital was formed through in-kind contributions of shares in portfolio companies rather than through a conventional cash subscription. The prospectus states that the Fund's initial share capital was fully paid through in-kind contributions of portfolio-company shares [8, pp. 282–283].

This structure distinguishes UzNIF from a conventional operating-company IPO. Investors were not purchasing shares in a single industrial enterprise; they were purchasing exposure to an investment vehicle holding interests in a diversified group of Uzbek companies. Consequently, the value proposition of UzNIF is linked to portfolio valuation, corporate governance, dividend flows, capital appreciation and the Fund's ability to improve the performance and value of its underlying holdings.

The Fund appointed Franklin Templeton as Trustee and investment manager. The audited financial statements state that Franklin Templeton Asset Management Foreign Enterprise LLC formally assumed management responsibilities on 1 May 2025 under an initial five-year management arrangement, subject to the relevant contractual extension provisions [10, pp. 3–5]. The involvement of an internationally recognized asset-management organization is institutionally significant because it introduces international investment-management expertise into the governance and valuation process.

Structure of the UzNIF IPO

The UzNIF IPO was structured as a dual-market transaction. The domestic component consisted of ordinary shares offered through the Republican Stock Exchange “Toshkent,” while the international component consisted of GDRs listed on the London Stock Exchange.

The prospectus specified an offering of 1,564,342,270,687 ordinary shares representing 31% of the Fund's share capital. Of these, 47,943,008,287 shares were offered directly as ordinary shares and 1,516,399,262,400 shares were represented by GDRs. Each GDR represented 64,700 ordinary shares [8, pp. 4–5].

The prospectus specified an offer price of UZS 4.65 per ordinary share and USD 25 per GDR [8, p. 4]. The final Tashkent Stock Exchange offering schedule subsequently recorded 47,943,008,287 shares as subscribed and admitted to trading on 18 May 2026, with the exchange's final schedule showing an offering price of UZS 4.41 [11, n.p.]. The final domestic transaction results reported by the exchange amounted to UZS 214.61 billion across 4,943 transactions [1, n.p.].

The international offering was substantially larger. The Tashkent Stock Exchange reported gross international proceeds of approximately USD 603.6 million before exercise of the over-allotment option, while the Fund's market capitalization based on the offering price was approximately USD 1.95 billion [1, n.p.].

The transaction therefore illustrates a fundamental principle of modern IPO development: domestic and international markets can perform complementary functions. The domestic tranche supports local ownership and market participation, whereas an international GDR offering provides access to a deeper institutional-investor pool and an internationally recognized disclosure and listing environment.

Financial characteristics of the Fund

The audited financial statements provide an important insight into the investment-fund nature of UzNIF. At 31 December 2025, investments represented 100% of the Fund's investment portfolio and approximately 99.5% of total assets. Because many of these investments did not have observable market prices, fair values were predominantly determined through discounted-cash-flow and dividend-discount methodologies [10, pp. 127–128].

This point is critical for understanding the IPO. The transaction did not merely establish a market price for an actively traded operating company. It simultaneously introduced a listed market price for an investment vehicle whose underlying assets included companies for which observable market prices were limited. The resulting price-discovery mechanism can therefore contribute to the development of valuation benchmarks for Uzbek corporate assets.

The financial statements recorded profit for the period from 24 December 2024 to 31 December 2025 of approximately UZS 1.403 trillion [10, p. 28]. However, the composition of investment-fund earnings needs to be considered carefully. The financial statements show substantial unrealized gains and losses associated with equity investments measured at fair value through profit or loss [10, p. 179]. Consequently, accounting profit should not automatically be interpreted as equivalent to recurring cash earnings.

The Fund's dividend policy is similarly important. The prospectus states that dividends, if declared, are expected to be considered annually based on audited financial statements and that the first potential annual dividend payment would relate to the year ending 31 December 2026 [8, pp. 100–101]. The policy links distributable amounts principally to dividend income from portfolio companies, interest income and the Fund's expenses, subject to investment opportunities and applicable legal restrictions [8, pp. 100–101].

DISCUSSION

UzNIF as a bridge between privatization and capital-market development

The first major lesson from UzNIF is that privatization and capital-market development can reinforce each other when ownership transformation is combined with institutional investment structures. Historically, privatization could simply transfer an asset from the state to a private owner. An IPO can produce a different result: it creates a tradable security, establishes a market valuation, expands ownership and potentially increases transparency.

The IMF has long emphasized that capital markets can facilitate privatization while providing mechanisms for corporate monitoring, long-term financing and portfolio diversification [12, pp. 3–8]. UzNIF represents a contemporary application of this principle in Uzbekistan.

The Fund aggregates minority interests in state-owned companies into an investment vehicle. This can reduce the complexity faced by investors who would otherwise have to analyze multiple enterprises separately. At the same time, the public listing creates a mechanism through which investors can trade exposure to the portfolio.

The importance of international listing

The second major lesson concerns international market access. Uzbekistan's domestic capital market remains comparatively shallow, and the IMF has identified the limited institutional-investor base and insufficient supply of marketable securities as structural constraints [6, pp. 25–28].

The London GDR component of the UzNIF transaction directly addresses the depth problem by connecting an Uzbek investment vehicle with an international investor base. The offering also required extensive disclosure and regulatory preparation. The prospectus was approved by the UK Financial Conduct Authority for admission of the GDRs to trading on the London Stock Exchange [8, pp. 4–5].

However, an international listing should not be regarded as a substitute for domestic-market development. If large Uzbek issuers consistently rely on international markets while domestic secondary trading remains illiquid, the domestic market may remain structurally weak. Therefore, the strongest lesson is not simply “list abroad,” but rather “use international listings to raise standards while simultaneously strengthening domestic infrastructure.”

Investor participation and financial inclusion

The UzRCEx People's IPO demonstrates that Uzbekistan has a measurable base of potential retail investors. The 2024 offering attracted 12.6 thousand applications from individuals and legal entities and ultimately satisfied 11,298 orders, including 11,234 from individuals [7, pp. 39–41].

This experience provides an important foundation for future IPOs. Nevertheless, retail participation should not be measured only by the number of applications. A mature market requires informed investment decisions, reliable disclosure, effective brokerage infrastructure and functioning secondary markets.

For this reason, Uzbekistan's future IPO programs should emphasize financial literacy, investor education and transparent risk communication. IPO participation without adequate investor understanding can increase the probability of speculative behavior and dissatisfaction when market prices fluctuate.

Corporate governance and transparency

Corporate governance is another critical lesson. The OECD has emphasized that improving corporate governance and transparency is essential for building investor confidence in Uzbekistan's capital market [5, pp. 38–45]. UzNIF's structure incorporates several governance mechanisms, including a Supervisory Board, a General Meeting of Shareholders and professional investment management [8, pp. 99–101].

The involvement of Franklin Templeton provides an additional institutional layer. The Fund's governance documents also include regulations concerning the Supervisory Board, trustee arrangements, corporate governance, anti-bribery and corruption, confidentiality and dividend policy [13, n.p.].

Nevertheless, governance challenges remain because the Fund invests in enterprises operating in strategically important sectors, including utilities, telecommunications, banking, transport and other infrastructure-related industries. The prospectus explicitly identifies regulatory, tariff, political and government-influence risks affecting portfolio companies [8, pp. 39–42].

The implication is that the success of Uzbekistan's IPO market will depend not only on the formal independence of listed companies but also on the credibility of minority-shareholder protections and the consistency of commercial decision-making.

Liquidity remains the decisive post-IPO challenge

The most important post-IPO question is whether successful primary-market placement can be converted into sustainable secondary-market liquidity.

The OECD's earlier assessment of Uzbekistan highlighted the importance of active secondary markets, institutional investors and investor confidence [9, pp. 10–16]. These lessons remain relevant. An IPO can technically be successful if all securities are placed, but a capital market becomes economically meaningful only when investors can subsequently buy and sell securities at transparent prices with reasonable transaction costs.

The initial UzNIF domestic placement produced 4,943 transactions, demonstrating active participation during the offering [1, n.p.]. The next stage is to determine whether the secondary market can maintain sufficient turnover, bid-ask depth and price discovery.

The policy implication is that Uzbekistan should measure IPO success using post-listing indicators as well as primary-placement statistics. Relevant indicators include free float, turnover ratio, number of active investor accounts, institutional-investor participation, bid-ask spreads, market depth and the continuity of analyst coverage.

Valuation and disclosure

UzNIF also demonstrates why valuation transparency is essential for investment-fund IPOs. The Fund's underlying investments include assets without observable market prices, requiring valuation models based on discounted cash flows and dividend discounts [10, pp. 127–128].

This creates both an opportunity and a risk. The opportunity is that listing the Fund can generate an external market valuation for a portfolio of Uzbek assets. The risk is that investors may apply discounts to NAV when they perceive uncertainty regarding portfolio-company valuations, governance or liquidity.

Consequently, future investment-fund or holding-company IPOs should disclose sufficiently detailed information about portfolio-company valuation methodologies, sensitivity analysis, dividend assumptions, discount rates and material changes in underlying asset values.

The need for a continuous IPO pipeline

A final lesson is that a single large IPO cannot create a mature capital market by itself. Uzbekistan's capital market requires a sustained pipeline of issuers.

The 2024 privatization program's selection of 12 enterprises for IPO/SPO created a framework for such a pipeline [7, pp. 39–41]. The government's broader privatization agenda has also included hundreds of state shareholdings and large numbers of real-estate assets [14, pp. 1–3].

However, quantity should not become the primary objective. A large number of poorly prepared listings could weaken investor confidence. Instead, Uzbekistan should prioritize companies with strong financial reporting, transparent ownership structures, credible governance, sufficient free float and realistic valuation.

The IMF's 2025 assessment supports this principle by emphasizing that the development of a robust supply side of potential issuers, particularly state-owned

enterprises, is necessary for capital-market development [6, pp. 25–28].

CONCLUSION

The development of Uzbekistan's IPO market has entered a new stage. Earlier capital-market reforms were primarily concerned with establishing securities-market infrastructure and supporting privatization. More recent reforms have increasingly emphasized investor participation, market infrastructure, foreign investment, corporate governance and integration with international capital markets.

The UzNIF IPO is a particularly significant milestone in this evolution. The Fund was established in 2024 as an investment vehicle holding minority interests in selected state-owned enterprises. Its 2026 IPO combined a domestic offering through the Republican Stock Exchange “Toshkent” with an international GDR offering on the London Stock Exchange. The final domestic placement involved 47.94 billion shares and generated UZS 214.61 billion through 4,943 transactions, while the international offering raised approximately USD 603.6 million before any over-allotment option [1]. The offering valued the Fund at approximately USD 1.95 billion according to the Tashkent Stock Exchange [1].

The principal lesson from UzNIF is that an IPO can function simultaneously as a privatization instrument, a capital-market development mechanism and a bridge to international investors. The transaction demonstrated that an Uzbek issuer can meet the requirements associated with an internationally visible equity offering while maintaining a domestic ownership component.

At the same time, the IPO should be regarded as a starting point rather than the final achievement. The long-term success of Uzbekistan's IPO market will depend on secondary-market liquidity, institutional investors, investor education, transparent valuation, minority-shareholder protection and the quality of future issuers.

For policymakers, the priority should therefore shift from simply increasing the number and value of IPOs toward building a complete market ecosystem. This ecosystem should include reliable disclosure, strong enforcement, professional intermediaries, active institutional investors, effective corporate governance and technologically integrated trading and settlement infrastructure.

For issuers, the UzNIF experience demonstrates the importance of early preparation, internationally credible financial reporting, transparent portfolio valuation and professional investor relations. For investors, it demonstrates that Uzbek securities are becoming increasingly integrated with international capital markets, but also that investment decisions must account for liquidity, valuation and regulatory risks.

Ultimately, the most important measure of the UzNIF IPO's success will not be the amount raised on the offering date. It will be whether the transaction contributes to a deeper, more transparent and more liquid Uzbek equity market in which future companies can raise long-term capital, households can diversify savings, institutional investors can build portfolios, and the state can reduce its economic ownership without undermining market stability.

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