

Petropavlovsk Proceeds With Unit's IPO

By [The Moscow Times](#)

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Petropavlovsk will proceed with a Hong Kong listing of its nonprecious metals division in October, as initial public offerings pick up in improving market conditions.

The IPO will bring the division, which includes Petropavlovsk's iron ore operations, closer to its booming Asian client base. London-listed Petropavlovsk, which said it had reached an advanced stage in its preparations, did not give any guidance on the value of the IPO, or say how much it intended to retain.

The miner planned to raise about \$500 million to \$600 million in the IPO, two sources close to the deal told Reuters on Friday. The group received approval from the Hong Kong Stock Exchange on Thursday, the sources said, adding that the company would kick off its IPO pre-marketing Monday.

One of the sources said Petropavlovsk planned to issue 964 million shares.

Citing a copy of the sale terms, Bloomberg reported that Petropavlovsk would seek to raise

\$300 million to \$370 million and a further \$70 million by selling so-called secondary shares.

Petropavlovsk was not immediately available for comment.

Andy Davidson, an analyst at Numis, said the widely expected move was positive and had the potential to unlock significant value for Petropavlovsk.

"We currently value the iron ore assets at 184 pence a share out of our 625 pence [net asset value] and believe the IPO has potential to double this, given the previous pre-IPO funding," he said.

Petropavlovsk shares closed up 0.4 percent at 1,160 pence, valuing the group at £2.2 billion (\$3.4 billion).

Jay Hambro, who will be executive chairman of the division, said last month that Petropavlovsk was keen to keep a controlling stake in the division. Under Hong Kong Stock Exchange rules, companies need to have 25 percent of their shares as free float, implying that Petropavlovsk would keep a stake of between 51 percent and 75 percent.

At least 16 IPOs are planned in Hong Kong this month. The pipeline of potential listings has improved since May and June when a number were pulled, but some companies remain wary.

Shares in United Company RusAl, the world's largest aluminum producer, dived on their debut in January and the stock has traded below the IPO price of 10.80 Hong Kong dollars (\$1.39) ever since.

Petropavlovsk's deal is being arranged by Bank of America Merrill Lynch, UBS and BOC International.

Bank of America Merrill Lynch, Bank of China International Holdings and UBS are joint bookrunners for the sale and are joined by Liberum Capital and Troika Dialog as joint lead managers. The price of the shares is to be determined by a bookbuild, the terms obtained by Bloomberg showed.

A group of Hong Kong-based investors in June agreed to take a \$60 million equity stake, valuing the division at \$860 million.

The company said it expected to buy the shareholdings of the Hong Kong-based investors at the time of listing to speed up the process, and that the majority of investors would instead take part as lead investors in the IPO and invest their original investment amount at the IPO price.

Cheung Kong's chairman Li Ka-shing, a Hong Kong billionaire, is a cornerstone investor in the IPO, sources said.

Petropavlovsk said the division had been reorganized under a new subsidiary, IRC Ltd. It will also include the Vanadium Pentoxide joint venture, the Titanium Sponge project, infrastructure projects and the group's interest in the Giproruda Technical Institute.

IRC will be headquartered in Hong Kong and will have Yury Makarov as its chief executive.

The iron ore business in the Russian Far East is estimated to contain more than 1 billion metric tons of iron ore. It had been spun off as Aricom, where Jay Hambro was CEO, before being reacquired in 2009.

The IPO requires final approval from the Hong Kong Stock Exchange's listing committee.

(Reuters, Bloomberg)

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