

Prokhorov Sees 50% Gain in Norilsk Sale

By [The Moscow Times](#)

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United Company RusAl should sell its 25 percent stake in Norilsk Nickel to offload debt and unlock value, billionaire shareholder Mikhail Prokhorov said Thursday.

“As soon as RusAl sells the stake in Norilsk, you’ll have a minimum 50 percent rise” in the market value of the aluminum company, Prokhorov said in an interview on Bloomberg Television. RusAl, valued at about HK\$180 billion (\$23 billion) based on prices in Hong Kong on Thursday, could rise to as much as \$35 billion, according to Prokhorov, who owns a 17 percent stake.

RusAl, the world’s largest aluminum maker, bought a quarter of Norilsk, the largest nickel and palladium miner, from Prokhorov in 2008 for shares and at least \$4.5 billion in cash. The deal sparked a feud over management of Norilsk between RusAl chief executive Oleg Deripaska and billionaire Vladimir Potanin, who is the largest shareholder with an almost 30 percent stake.

Norilsk last week offered to buy RusAl’s stake in the company for at least \$12 billion, a

proposal that was discussed by RusAl's board Wednesday. If the aluminum company agrees to its offer, Norilsk could close the deal within three to four months, Potanin's Interros Holding Company said in an e-mailed statement Thursday, citing the Russian billionaire.

Norilsk agreed on Dec. 8 to sell its controlling stake in U.S. palladium maker Stillwater Mining Co. for \$971 million, and last week its board discussed the sale of its OGC-3 utility for \$2 billion. Norilsk also said Monday that it agreed to sell 8 percent of its treasury shares to commodities trader Trafigura Beheer, which on that day were valued at \$3.5 billion.

RusAl on Thursday requested a meeting of Norilsk Nickel shareholders to elect a new board after Norilsk agreed to sell treasury shares to Trafigura without directors' approval, the aluminum company said in a statement.

"These deals may signal Norilsk is accumulating money to buy out RusAl's stake and will have at least \$6.5 billion of available funds to do it, before borrowings," Olga Okuneva, an analyst at Deutsche Bank, said by phone Thursday. A deal could be reached at between \$12 billion and \$15 billion, Vedomosti reported Thursday, citing Prokhorov.

RusAl's market value is depressed by debt it built up through the purchase of its Norilsk stake, said Prokhorov, who was Potanin's business partner for 16 years. RusAl had almost \$12 billion of debt as of Sept. 30, a regulatory filing shows.

"For the next three to four years there are no dividends for shareholders because RusAl has to repay debt," Prokhorov said. In the longer-term, RusAl has the potential to triple its value because of the low cost of planned smelters in Siberia and expected rises in aluminum prices, he said.

RusAl said Thursday it was close to hiring bankers to manage a 1 billion yuan-denominated (\$150 million) bond sale.

The company, controlled by Deripaska, hopes to issue the securities in the first quarter, Oleg Mukhamedshin, deputy chief executive officer and head of capital markets, said in a telephone interview.

"We're hoping to hire the banks before Christmas," he said, without identifying them. "The size of the issue is not fixed yet, it depends on potential demand, but we believe that 1 billion yuan is probably the right size for a debut issue."

RusAl restructured almost \$17 billion of obligations last year to more than 70 lenders as demand for metals slumped during the global recession. The company has lowered its net debt to about \$11.7 billion, according to audited figures, Mukhamedshin said Thursday.

RusAl has risen about 21 percent since its \$2.24 billion initial public offering in Hong Kong on Jan. 27, while the benchmark Hang Seng Index has gained 14 percent in the same period.

"Demand for commodities is increasing and I think the market has recognized it's a good opportunity to invest in the sector," he said.

Aluminum may sell for between \$2,400 and \$2,500 a ton next year as demand increases,

Mukhamedshin said. The average price this year was \$2,100 a ton, he said.

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