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Russian Helicopters Plans $500M IPO

By The Moscow Times

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Mi-26 helicopters in flight in 2009. The 50-ton transport choppers are among the largest in service today. **Sergei Nikolayev**

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State-controlled Russian Helicopters on Tuesday launched plans to raise $500 million from a listing in London and Moscow, offering investors rare exposure to the Russian defense sector.

The maker of military and civilian helicopters joins a string of other Russian and European companies testing investor interest in initial public offerings after several big floats were derailed by market volatility last month.

Russian IPO hopefuls from the real estate, retail and banking industries are among those competing with Russian Helicopters to win investors, with private issuers seeking to raise a potential combined total of $3 billion in April alone.

"I would expect high interest in the company as it is the first asset from Russia's defense

sector and one in very good financial shape," said UralSib analyst Anna Kupriyanova.

Russian Helicopters, a holding company for 11 regional manufacturers, was formed by the state in 2010 as a way to boost efficiency and develop new models. Its IPO is part of the government's wide-ranging privatization plan that will see it sell down stakes in key assets and bring in foreign investors.

Russian Helicopters, born out of a thriving industry in Soviet times, makes vehicles for both the Russian Defense Ministry and overseas buyers such as Brazil and China.

It makes models including the heavy-lifting Mi-26, which at 50 tons is among the largest helicopters in service and acts as a workhorse for Russia's vast oil and gas industry, as well as a military transporter.

"The Russian army needs to replace about 1,000 Mi-family vehicles within the next five-10 years. ... This translates into a minimum half of the future production pipeline," Kupriyanova said.

It may also profit from recently improved relations between Russia and NATO.

Russia and the United States agreed last week on the terms for supplying 21 Russian military helicopters worth $370 million to Afghanistan.

The offering will include both existing shares, mainly sold by the company's major shareholder, state defense industry holding Oboronprom, as well as up to $250 million of new shares in the form of Global Depositary Receipts.

The firm said it planned to use the funds raised from the share sale to pay down debt and buy shares in its subsidiaries that it does not already own.

"The IPO will help us to increase further our global market share," Russian Helicopters chief executive Dmitry Petrov said in a statement.

The amount sought from the IPO is in line with earlier indications.

Bank of America Merrill Lynch, BNP Paribas and VTB Capital will act as joint bookrunners for the company, which posted revenues of $2.2 billion in 2010, when it delivered 214 helicopters.

The IPO roadshow will start in the week of April 25, a source familiar with the matter said.

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