The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

NLMK Q4 Down 20% to $383M

By The Moscow Times

March 27, 2012



Novolipetsk Steel, Russian billionaire Vladimir Lisin's steelmaker, plans to raise crude steel production by at least 25 percent this year after quarterly earnings dropped on its buyout of international assets.

NLMK, as the producer is known, expects crude output to rise to at least 15 million tons from 12 million tons last year, according to a company statement Tuesday. First-quarter production rose 14 percent from the last three months of 2011 to 3.6 million tons, according to a presentation on NLMK's website.

The steelmaker is seeking larger production volumes after its fourth-quarter EBITDA dropped 20 percent to $383 million from the previous three months, it said. That missed the average estimate of $411 million from 11 analysts surveyed by Bloomberg.

The EBITDA margin dropped to a historically low level of 13 percent in the period, said Dmitry Smolin, a metals analyst at UralSib Capital. "Even in the post-crisis first quarter of 2009, the margin was 15 percent."

Net income declined 32 percent to $153 million in the fourth quarter, while revenue fell 8 percent to $3 billion.

The steelmaker's profitability was squeezed by the performance of its international assets after NLMK bought Duferco Group out of jointly owned plants in Europe last year, Smolin said. The purchase boosted NLMK's total debt to $4.38 billion at the end of 2011, according to the statement.

The international assets will be consolidated for the first full year in 2012. NLMK may open a mill in the Kaluga region this year, after starting a new blast furnace in Lipetsk, where it's headquartered, as it expands at home.

NLMK reported full-year revenue of $11.7 billion, an increase of 40 percent from 2010. EBITDA fell 3 percent to $2.3 billion, with a margin of 19 percent of revenue. Net income rose 8 percent to $1.36 billion.

Morgan Stanley forecasts NLMK's EBITDA to increase to $2.55 billion this year with the margin remaining at 19 percent as steel prices hold steady, according to a report Monday from the bank.

NLMK aims to raise its EBITDA margin to at least 25 percent in the "longer term" after completing new projects and integrating new assets, chief financial officer Galina Aglyamova said in the statement.

Original url: https://www.themoscowtimes.com/2012/03/27/nlmk-q4-down-20-to-383m-a13594