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Russian Technologies Selling Titanium Maker

By The Moscow Times

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State conglomerate Russian Technologies is selling control in the world's leading titanium company through a management buyout, unwinding an acquisition that fell short of its promise to consolidate the sector.

VSMPO-Avisma, which accounts for around a quarter of the world's output of the light metal used in aircraft construction, is being bought out by a joint venture between the company's management and state-affiliated Gazprombank.

Russian Technologies head Sergei Chemezov, who like President Vladimir Putin was a KGB officer in 1980s East Germany, championed the original acquisition in 2006 but the arms-to-metals group struggled to pay off debts it assumed for the purchase.

The management/Gazprombank joint venture, Cyprus-based Nordcom, will buy 45.4 percent of VSMPO-Avisma from Russian Technologies for an estimated $965-$970 million, VSMPO-

Avisma chief executive Mikhail Voevodin told reporters Tuesday.

"We as shareholders will continue to expand our share of the global titanium market," Voevodin said, adding that in addition to the aircraft market the company would develop its product lines for health, auto making, and oil and gas production.

Including management's existing shares, Nordcom will own 50 percent plus one share in VSMPO-Avisma, while Russian Technologies will retain a blocking minority stake of 25 percent plus one share.

The deal should close in one to two weeks after approval by the Federal Anti-Monopoly Service, Voevodin said. Financing is being provided by a group of banks led by state-controlled Sberbank.

The precursor of Russian Technologies, state arms trader Rosoboronexport, took control of VSMPO-Avisma in 2006 in a deal that Chemezov said at the time would herald a merger of titanium assets in Russia, Kazakhstan and Ukraine.

But, as recently as April, Chemezov asked the Russian government for aid in repaying a $790 million loan from Sberbank and VTB that funded the original purchase of 66 percent of VSMPO.

"Now the company is financially stable and has secure orders," Chemezov said in a statement. He added that VSMPO-Avisma had long-term orders stretching to 2018 from U.S. plane maker Boeing, one of its major clients.

Prior to the transaction, Russian Technologies owned 70.42 percent of VSMPO-Avisma, management owned 4.6 percent and the remaining 24.98 percent was in free float, according to a presentation.

Gazprombank, which was founded by Gazprom, is still 35.5 percent owned by the state gas export monopoly, with further stakes held by affiliated entities such as its pension fund. State development bank VEB also owns a 10.2 percent stake.

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