The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

RenCap Strips Down After Split

By The Moscow Times

February 26, 2013



Renaissance Capital traders working the bank's headquarters in Moscow.

Russian-focused Renaissance Capital will strip itself down to a pure-play investment bank and sell all noncore assets after its business divorce from founder Stephen Jennings, its CEOs said.

Confident of support from its new owner, Mikhail Prokhorov's Onexim Group, RenCap has separated completely from the African-focused Renaissance Group from which it split in November, CEOs John Hyman and Igor Vayn said in an interview.

"This is a very well structured and thought-through divorce between the different entities within the group," Hyman said Monday. "All of this has been separated as thoroughly as it can be."

Pioneering banker Jennings lost Renaissance Capital — the bank he founded in 1995 — after three consecutive years of losses triggered a downgrade by credit ratings agency Moody's in November.

It marked the end of an era for the tall New Zealander, who cut his teeth advising on the mass privatizations that followed the Soviet collapse, but who found it increasingly tough to compete against state-run giants such as VTB.

The decision of tycoon-turned-politician Prokhorov to step in and take control gave RenCap a deep-pocketed investor as its owner. Forbes magazine estimated his fortune at $13 billion last March.

Prokhorov, owner of the Brooklyn Nets basketball team, is also flush with cash after last week's sale of his $3.6 billion stake in London-listed Polyus Gold, Russia's largest gold miner, to a pair of Russian investors.

The deal to relinquish RenCap marked an abrupt retreat from Russia for Jennings. He is now left with a stake in Renaissance Group, which Vedomosti said had debts of $272 million that it cannot service without a restructuring. Vedomosti, citing a management presentation, also reported that $93 million of the total debt is owed to Onexim.

Hyman and Vayn said those numbers were accurate but emphasized that none of the money was owed to, or by, RenCap.

"So far we don't have any claims from Renaissance Group creditors to Renaissance Capital entities," Vayn said.

Renaissance Group deputy CEO Hans Jochum Horn did not respond to an e-mail for comment sent to his secretary. Jennings, reported last week to have stood down as Renaissance Group CEO, has not responded to requests for comment.

Credit ratings agency Standard & Poor's downgraded Renaissance Group on Monday, saying that the business no longer benefits from the earnings streams of several operating companies that it previously owned.

RenCap, now making money again, plans to keep its African investment bank but sell noncore assets such as a stake in an infrastructure fund, its stake in a Ukrainian farming business, a mining asset in Mozambique and holdings in publicly owned African banks.

The sale of such assets will give the bank significant additional liquidity and flexibility, Hyman said.

The disposals would also mark a retreat from the high-stakes bets by Jennings, which left the group saddled with capital-intensive projects that would not pay a return for years.

"At the end of the day, we want to be a pure-play investment bank, not an agricultural company with an investment bank on the side," Hyman said.

RenCap's business is now balanced between equity and fixed-income sales and trading, equity financing, investment banking and electronic trading, the executives said.

"I believe it is balanced well geographically and by product; there is no over-influence of any business line, and that's what makes it sustainable," Vayn said, noting that the bank operates in Moscow, New York, London, Cyprus, Lagos, Nairobi, Johannesburg and Istanbul.

Vayn added that RenCap is now "in positive territory from the profit-and-loss perspective."

Speculation in Moscow financial circles has focused on whether RenCap has a future as a standalone bank or whether Prokhorov would seek to sell at some point. While such "matchmaking" gossip is natural, it's premature, Hyman said.

Vayn said that RenCap had turned profitable since the start of the year and the priority for now is to deliver a profit for 2013 as a whole.

"When you have a successful business, there are plenty of things you can do with it: you can keep skimming dividends off it, create strategic partnerships, sell it," Vayn said. "But first let's get to a year of profitability in 2013."

Related articles:

- Moscow Exchange IPO Yields $500M
- Jennings Exits Renaissance
- Rencap Predicts More State Involvement in Oil and Gas

Original url: https://www.themoscowtimes.com/2013/02/26/rencap-strips-down-after-split-a21860