

Coal Producer Sibanthracite Sets London IPO Range

By [The Moscow Times](#)

July 01, 2013

The  Moscow Times

Niche coal producer Sibanthracite set a price range Monday for shares in a planned London market debut that would enable the selling shareholder to raise up to \$214 million for its 25 percent stake.

Sibanthracite said the GLG Emerging Markets Growth Fund would sell its one-quarter stake in a price range between \$7.00 and \$9.50 per global depositary receipt, or GDR, in an initial public offering. A two-week investor road show starts Monday, to be followed by pricing.

The offering would value the stake being put up for sale at between \$158 million and \$214 million. Of the shares on offer, 20 percent are being reserved for eligible existing investors of the GLG fund.

The stock offering comes at a challenging time for coal producers as China's industrial growth wanes and steelmakers struggle. Emerging markets that, like Russia, are weighted towards

the resources sector are also weak.

Sibanthracite, however, profiles itself as a niche player offering a premium product — ultra-high-grade anthracite, or UHG — that can be used as a substitute for coke in blast furnaces and continues to be in high demand.

"Sibanthracite is a leading provider of a premium product to a global market in which demand significantly outstrips supply," CEO Dmitry Shatokhin said in a statement.

Sibanthracite controls 15 percent of the global market for anthracite and plans to increase that to 17 percent this year by focusing on the Asia-Pacific and Chinese markets, Shatokhin said in a recent interview.

According to research by Sberbank CIB, one of the banks involved in the deal, Sibanthracite plans to expand its production by 125 percent through to 2017 while its costs remain largely flat.

The company's low debts and high profitability mean that it "is better positioned than most global peers to withstand the coal market turmoil", Sberbank CIB's Mikhail Stiskin wrote.

Sibanthracite mined 4.2 million tons of anthracite last year, up from 3.4 million tons in 2011, boosting revenues to \$508 million from \$399 million.

Its earnings before interest, taxation, depreciation and amortization (EBITDA), which measures a company's ability to sustain its cost of equity and debt, rose by 15 percent to \$194 million. Its EBITDA margin shrank to 38 percent from 42 percent.

The company said it would consider paying out between 25 and 50 percent of consolidated net profits in the form of dividends to shareholders. Its 2012 net earnings rose by 22 percent to \$117 million.

At the announced range, Sibanthracite would be priced at between 5.4 and 7.3 times 2012 earnings, valuing it either in line or at a slight premium to the overall Russian market.

Other shareholders have agreed a 180 day lockup on their holdings following the deal, in which JP Morgan, Morgan Stanley, Raiffeisen Bank International and Sberbank CIB are acting as joint global coordinators and joint bookrunners.

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