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Rostelecom Shares Jump on $900M Share Buyback News

By The Moscow Times

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Rostelecom has launched a 30 billion ruble ($909 million) buyback offer for about 30 percent of the shares held by minority investors, news stories said Friday, citing sources close to the firm.

Reports of the buyout, on which the state-controlled firm declined to comment, boosted its Moscow-listed stock by more than 4 percent in early trade, outperforming a flat broader market. The stock hit its lowest since 2006 in June.

Several Russian firms have launched share buybacks in recent months that have been criticized for favoring strategic shareholders, making it possible for them to exit investments at attractive prices amid broader market declines.

The benchmark MICEX index has fallen 10 percent in the year to date, reflecting weakness on emerging markets, while developed markets have posted double-digit percentage gains.

In Rostelecom's case, the move would benefit its largest minority shareholder, Marshall Capital Partners, a fund run by investor Konstantin Malofeyev, which owns 10.7 percent of the former long-distance call monopoly.

MarCap has applied for the redemption, potentially reducing its stake to 7.4 percent of ordinary shares, Russian newspaper Vedomosti said, quoting people close to the board of directors.

Rostelecom's offer is open to any shareholders who opposed or did not vote on the firm's recent merger with state-run shareholder Svyazinvest, as the firm pledged in March.

The buyback follows a similar move by Russian fertilizer producer Uralkali, which has been repurchasing its own shares since November 2012, including a $1.3 billion buyout of a minority 6.4 percent stake.

Russia's largest coking coal miner, debt-laden Mechel, also launched a buyback in June, temporarily boosting its share price by nearly 7 percent.

Svyazinvest owns 45.7 percent of Rostelecom's ordinary shares and state entities own 9.9 percent. Mobitel, a subsidiary of Rostelecom, owns 4.2 percent.

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