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Hugely Undervalued UTair to Split Helicopter and Airplane Divisions

By The Moscow Times

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As international banks conclude that UTair is massively undervalued, Russia's fourth-largest aviation group plans to divide its helicopter and airplane operations into two separate companies, the group's CEO, Andrei Martirosov, announced Wednesday.

The division, set for completion by 2016, will allow the company to attract separate investors for the two branches of its operations, chief financial officer Igor Petrov said at the same event, Prime reported.

UTair's Nefteyugansk United Airline Transportation Company has already been renamed UTair Helicopter Services, while a passenger airline will soon be established, Martirosov said, speaking at a ceremony in Seattle.

"Our passenger transportation is currently unprofitable, and the division will help in choosing the right development strategy for each kind of work," Petrov said.

On the same day, an investment banking source said several top investment banks, including Deutsche Bank and VTB, had recently valued UTair at between $1.5 billion and $2 billion — a figure at least three times higher than its current capitalization.

Petrov confirmed Wednesday that UTair ordered the valuation so as to assist its majority shareholder in selecting the best strategy for increasing the company's capitalization.

A number of Russian companies and foreign investment funds have expressed interest in buying into the aviation group, but privately owned Russian oil company Surgutneftgaz plans to maintain its majority 60.7 percent share, the executive added.

Petrov and Martirosov were speaking at a celebration marking the delivery of a Boeing 737-800NG, the first of 40 that UTair ordered two years ago at an estimated price of $3.8 billion.

UTair's current fleet boasts more than 210 airplanes and 340 helicopters.

The aviation group's profits rose 41.6 percent last year to 369.8 billion rubles ($11.4 billion) according to Russian accounting standards.

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