

Russian Aluminum Giant RusAl Enjoys Recovery

By [The Moscow Times](#)

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Rusal Sayanogorsk Aluminium Smelter is seen at sunset near the town of Sayanogorsk in Russia's Siberian Khakassia region.

Russia's United Company RusAl Plc returned to profit for the first time in five quarters on Wednesday and gave a bullish outlook for aluminum prices, driven by growing demand from carmakers and supply cuts outside China.

The aluminum giant emerged from the red thanks to higher aluminum prices, cost cuts and smelter closures and forecast further gains, as it sees a global supply deficit more than doubling in the second half of the year to 1.5 million tons.

"In the first half of 2014, we witnessed some important trends which signaled that the global aluminum industry has turned a corner," Chief Executive Oleg Deripaska said in a statement.

RusAl last week completed a crucial restructuring of \$5.15 billion in debt and has no payments

due until January 2016. The deal gives it flexibility to pre-pay debt when cash flows are strong and pay less when London Metal Exchange prices fall.

"We're quite bullish on the aluminum price, which means that our expectation is that the company will deleverage faster than slower," deputy CEO for strategy Oleg Mukhamedshin told reporters on a conference call.

For the June quarter, RusAl's recurring net profit — adjusted net profit plus its share of Norilsk Nickel's earnings — jumped to \$129 million from a \$203 million loss a year earlier as it cut costs. RusAl owns 28 percent of Norilsk.

Revenue fell 10 percent to \$2.26 billion from a year earlier as it cut aluminum output. It expects to produce 1.8 million tons of aluminum in the second half, in line with the first.

Higher prices boosted the bottom line, with aluminum prices on the London Metal Exchange having surged 24 percent off a 4-1/2-year low hit in February.

At the same time, premiums paid on top of LME prices for physical shipments have risen to record levels, taking the all-in price to a three-year high of \$2,400 a ton last week.

"Looking at the rest of the year, we expect the LME spot aluminum price to remain around its current level and view potential upside for physical premiums," Deripaska said.

The company confirmed it was seeking a premium of \$460 a ton for deliveries into Japan in the December quarter, up about 15 percent from the September quarter.

Core earnings jumped 26 percent to \$220 million, but that missed analysts' forecasts for earnings before interest, tax, depreciation and amortization (EBITDA) of \$255 million, according to a poll of six brokers.

RusAl, which has a primary listing in Hong Kong and secondary listings in Paris and Moscow, said it expected EBITDA to top \$600 million in the second half of this year at current aluminum prices.

Its shares slipped 0.5 percent after the result, but the stock is up 72 percent this year.

RusAl said it did expect any of the 6 million tons of smelter capacity outside China that has been shut since 2007 to reopen in the near term, with 60 percent of that capacity likely to remain permanently shut.

On the demand side, consumption rose 6 percent to 27 million tons in the first half of the year, and is expected to grow over the next four years as auto makers like BMW, Ford and Mercedes use more aluminum in cars, said sales and marketing director Steve Hodgson.

The significant shift in materials used from steel to aluminum in the automotive sector will be a game changer for the industry," Hodgson told reporters.

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