

Russian RusAl's Earnings Soar Amid Booming Aluminum Market

By [The Moscow Times](#)

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An employee works near a mixer of fused aluminium at the foundry shop of the Rusal Krasnoyarsk aluminium smelter in the Siberian city of Krasnoyarsk.

Russia's United Company RusAl Plc beat analysts' forecasts with its strongest quarterly profit in nearly three years thanks to higher aluminum prices and cost cuts, and ramped up its second-half earnings target.

The world No.1 aluminum producer said it expects to continue cutting costs, and sees a deficit in the long-oversupplied aluminum market growing next year, buoying both prices and premiums for physical material.

"Looking beyond 2014, UC RusAl estimates that global aluminum consumption will reach 66 million tons in 2018 vs. 52 million tons in 2013, and that the market will remain in deficit for the foreseeable future," RusAl Chief Executive Oleg Deripaska said in a statement.

For the September quarter, RusAl's recurring net profit — adjusted net profit plus its share of Norilsk Nickel's earnings — jumped to \$250 million from a loss of \$132 million a year earlier.

Five analysts on average had expected a recurring net profit of \$232 million.

Cash London Metal Exchange, or LME, aluminum prices surged to an 18-month peak in September. They have since given up some of those gains but are still up 17 percent this year, while premiums in Japan are at a record high of \$420 per ton over LME prices for October–December shipments.

The company also benefited from a drop in the ruble against the U.S. dollar in the wake of the West's sanctions on Russia.

RusAl's adjusted earnings before interest, tax, depreciation and amortization, or EBITDA, rose to \$470 million in the third quarter from \$130 million in the same period last year, topping analysts' forecasts around \$404 million.

It said it expects fourth quarter EBITDA to be more than \$400 million, implying second-half earnings would top \$870 million, compared with a previous forecast for EBITDA to exceed \$600 million in the second half of 2014.

The consensus median forecast of analysts polled in October is for an aluminum surplus of 38,500 tons this year, with the market expected to tighten significantly next year to reach a 102,500 ton deficit.

Deripaska said the global deficit, excluding China, in the first nine months of the year had reached 900,000 tons.

RusAl's shares have rocketed 87 percent this year on the back of the recovery in aluminum prices and the company's restructuring of \$5.15 billion in debt.

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