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Shares Rally as Russia's Gazprom Sells 3% of Own Stock

Gazprom shares were up 5.6% on the news.

By Reuters

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Vitaly Nevar / TASS

Russia's Gazprom, the world's largest conventional gas producer, has received bids worth $3.15 billion for 3 percent of its own shares that it decided to sell after the stock hit its highest level in more than a decade.

Gazprom said Thursday it had received 494 bids that altogether reached 198.89 billion roubles ($3.15 billion) for 2.92% of its own shares.

The stake is worth $2.3 billion, based on Wednesday's closing price and is part of a wider 6.6% stake known as treasury shares that Gazprom holds in itself.

Earlier on Thursday, the Moscow Exchange said that Gazprom subsidiaries Gazprom Gerosgaz

Holdings BV and Rosingaz Limited will offer a combined stake of 693.6 million ordinary Gazprom shares to be sold during the day in one lot.

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Gazprom shares were up by 4.5% at 1527 GMT, outperforming the overall market which was 0.6% up.

Earlier this year, Gazprom, controlled by the Russian state, replaced key executives and promised to boost its dividend payout to 50% of net profits, spurring a rally in its shares to their highest since mid-2008.

Dmitry Marinchenko, an analyst with Fitch, said that the current Gazprom stock environment, partially boosted by the proposed changes in the dividend policy, supported the company's decision to sell part of its treasury shares.

But Vladislav Silayev, a trader with Alfa Capital, said that Gazprom's share sale could be a signal that the rally might now run out of steam.

"The sale usually happens when the seller is happy with the price. Looks like that the seller thinks that the (share price) growth potential is limited," Silayev said.

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Gazprom's market value is $79.4 billion, second in Russia to Sberbank's $82 billion, according to Refinitiv Eikon data.

Gazprom Chief Executive Alexei Miller told the company's shareholders last month that high-level management changes would continue to improve the way Gazprom operates across its businesses.

Ronald Smith, an analyst with Citibank in Moscow, said that since late 2018, six of a total of 15 management board members have been replaced.

"While the long-term impact of those efforts to improve efficiency remains to be seen, even in isolation the dividend policy change is profoundly important, something that may well mark a turning point in the company's history from the point of view of investors," Smith said in a July 9th report.

Gazprom's oil unit, Gazprom Neft is now also considering following its parent and increasing dividends.

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