

Bashneft, TNK-BP Better Buys Than Gazprom Shares

By [The Moscow Times](#)

August 24, 2011

The  **Moscow Times**

Investors seeking to take advantage of a slump in Russian equities should buy Bashneft and TNK-BP, over fuel industry peers such as Gazprom, according to Prosperity Capital Management.

"With the recent pull back in market prices, valuations of Russian companies have become even more attractive," said Ivan Mazalov, who helps oversee \$5 billion in investments in Moscow as a director of Prosperity. "Oil prices are up more than 10 percent this year, and Russian indexes are in the red."

While Gazprom is trading at less than four times current earnings and Transneft at barely two times, the companies' failure to return sufficient income to shareholders and a lack of growth has reduced confidence in their stocks, he said. In contrast TNK-BP and Bashneft offer low valuations as well as expansion of their production and returns to equities.

"Bashneft has grown its oil production by about 30 percent since the middle of 2009," Mazalov said. "They also return nearly 100 percent of their profit as cash to shareholders, which translates to very attractive dividend yields."

Prosperity holds Bashneft, Transneft, Gazprom and TNK-BP, the traded unit of the BP joint venture, its web site shows.

Russia's benchmark MICEX Index of stocks has declined 15 percent since the start of the year, while Brent crude oil prices are up by the same amount at \$109 a barrel.

Gazprom has tumbled 12 percent this year, with a dividend yield of 2.27 percent, according to Bloomberg data. Transneft preferred shares have declined 6.7 percent in the period and yield — 0.89 percent.

Bashneft, controlled by billionaire Vladimir Yevtushenkov's AFK Sistema, has gained 6.3 percent to \$47 and has an indicated dividend yield of 19.6 percent, according to Bloomberg data. TNK-BP has a dividend yield of 10.57 percent, the data show.

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