

Norilsk to Spend \$4.5Bln on Buyback

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Vekselberg, right, will consider offers reflecting "fundamental value." **Yevgeny Stetsko**

Norilsk Nickel said Thursday that it plans to spend up to \$4.5 billion buying back its shares from the market, following United Company RusAl's decision not to sell its 15 percent stake in the nickel miner.

Norilsk might buy 14.7 million ordinary shares or American Depositary Receipts, or 7.71 percent of its equity capital, at \$306 per share and \$30.6 per ADR — approximately the same terms it offered to RusAl, Norilsk said in an e-mailed statement.

"The company is acting on behalf of the shareholders ... and is seeking to ensure equal access to this offer for all the shareholders," the statement said.

The nickel company's board of directors will consider the buyback on Sept. 13.

RusAl declined to comment on the issue Thursday, having rejected earlier this week Norilsk's \$8.75 billion offer for part of the stake it holds in the nickel giant.

The aluminum producer, which holds a 25 percent in Norilsk Nickel, said "the proposed terms of the deal do not reflect the fundamental value of a major stake in Norilsk Nickel, which remains a strategic investment for RusAl."

Following the announcement of the rejection, RusAl's board chairman Viktor Vekselberg sent a letter dated Sept. 6 to Norilsk chairman Andrei Bugrov and the nickel company's chief executive Vladimir Strzhalkovsky, saying he was authorized by RusAl "to examine proposals that reflect the fundamental value of RusAl's blocking stake in Norilsk Nickel," PRIME reported Thursday.

The nickel giant's board of directors will discuss the letter, Bugrov told PRIME.

RusAl confirmed that the letter had been sent, but declined to elaborate on its content.

The negotiations between Vekselberg and Norilsk management are unlikely to result in RusAl selling its stake, Alfa-Bank analyst Andrei Lobazov said.

Norilsk is not very interested in buying back RusAl's stake, with the latest bid being "rather a strategic move," he told The Moscow Times.

This latest offer from Norilsk to RusAl involved selling a smaller stake at a lower price, as compared with previous offers, Lobazov said. Given that Norilsk's current market value is \$4.8 billion, the price of RusAl's blocking stake should be \$12 billion, he said.

RusAl previously rejected Norilsk's bid three times. In March, it refused to sell a 20 percent stake for \$12.8 billion.

But the current share buyback proposal will probably be successful.

"Most of the shareholders, especially minority shareholders, are likely to participate," Lobazov said.

The parameters of the buyback are attractive because the offer price is 19 percent higher than the company's market price, confirmed Andrei Tretelnikov of Rye, Man & Gor Securities.

Norilsk closed up 2 percent at 7,510 rubles per share in Moscow on Thursday, above the MICEX Index, which closed up 0.64 percent.

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