

ИНВЕСТИЦИОННАЯ КОМПАНИЯ

ГРАНДИС КАПИТАЛ



Company

Economy

Preview



## Evraz: Neutral 4Q11 Operational Results

### Buy

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Evraz published its 4Q11 operational results yesterday. Total steel products output grew by 2% q-o-q to 3.8 mn metric tonnes. Evraz increased its steel products output in 2011 by 4% y-o-y to 15 mn tonnes

The Group's steel products average realized price decreased by 9% q-o-q in 4Q11 reflecting negative seasonality and market volatility.

In 4Q11 there was growth in steel production at Evraz's Russian, Europe and South Africa assets. This growth was due to completion of scheduled maintenance in 3Q11. Evraz's North America and Ukraine plants showed a decrease in production due to maintenance work carried out in 4Q11 on its North American assets and a seasonal slowdown in demand for Evraz rolled products in Ukraine.

In the 4Q11 results we see positive growth in raw coking coal production by 19% q-o-q at Yuzhkuzbassugol following the resumption of operations at the Abashevskaya mine on 23 October and at the Osinnikovskaya mine on 20 December and the launch of production at the Ulyanovskaya mine on 18 October. As a result, coking coal concentrate output grew by 13% q-o-q.

Taking into account the published operational results and selling prices we expect Evraz total revenue in 4Q11 to decrease by 8% q-o-q to USD 3.8 bn. We estimate Evraz 2011 revenue to be USD16.4 bn (growth of 22% y-o-y).

In the press release related to 3Q11 financial results Evraz management forecasts 4Q11 EBITDA to be in the range of USD500-600 mn, that implies EBITDA USD 2.9-3.0 bn in 2011. We expect the actual result to be around USD3.0 bn (growth of 28% y-o-y).

Using the EBITDA 2011 estimate of USD3 bn, the current EV/EBITDA11 multiple implies 5.0X – this implies a 50-55% discount to the historical valuation of Evraz stocks using this multiple. In this regard we recommend buying Evraz shares.

Ticker LSE	EVRZ
GDR price, USD	18.2
Mcap, USD mn	8 108
EV, USD mn	14 417



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