

Ferrexpo pellet output drops 2% yoy in 3Q, up 5% yoy in 9M15

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KYIV, Oct 6, 2015 (UBO) - Pellet production at Ukraine's largest iron ore pellet exporter Ferrexpo (FXPOLN, FXPO LN) dropped 2.4% qoq in 3Q15 to 2.9 mmt, Concorde Capital informed clients in an online advisory. The report goes on to explain that with Ferrexpo's low-marginal output of pellets from purchased ore falling 60% qoq to 61 kt, pellet output from own ore remaining almost flat at 2.8 mmt (+0.7% qoq). The company reported a record 992 kt of monthly pellet production from own ore in September 2015, compared to 923 kt in 9M15 on monthly average. In 9M15, total pellet production grew 5.1% yoy to 8.7 mmt, driven by a 3.1% yoy increase in output from own ore to 8.3 mmt and 82% yoy advance in pellet output from third-party iron ore concentrate to 373 kt. The portion of premium 65% grade pellets in total output volumes (as alternative to 62% grade pellets) grew from 49% in 9M14 to 87% in 9M15. Concorde analyst Roman Topolyuk added: "Some slowdown in 3Q15 production is attributable to scheduled repairs in summer, which are now over, we think. If Ferrexpo maintains in 4Q15 the high capacity load reached in September, it will meet our projections of total pellet production of 11.6 mmt in 2015 (+5% yoy). The margin for variation is very thin in that respect, and the key driver of Ferrexpo's earnings has been the path of iron ore prices. Average YTD prices for iron ore pellets 65% grade in China fell 32% to USD 92/t in 9M15 (with USD 79/t being a current spot price). We model USD 76/t as the average annual selling price for Ferrexpo on a FOB/DAF basis (-17% yoy), which produces EBITDA returns of USD 259 mln and forward-looking total debt-to-EBITDA at 3.9x."

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