

Ferrexpo pellet output drops 15% m/m in April

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KYIV, May 17, 2017 (UBO) - Ukraine's largest iron ore pellet exporter Ferrexpo (FXPO LN, FXPOLN) produced 751 kt of pellets (-15% m/m, -23% yoy) in April, Concorde Capital informed clients based on an Interfax-Ukraine report of May 16. In 4M17, Ferrexpo's total pellet output decreased 12.6% yoy to 3.375 mmt. In other news, Ferrexpo intends to increase its capacity and increase pellets output up to 12 mmt per year, Head of Investor Relations Ingrid McMahon said at a meeting on May 15. The company needs to invest USD 50 mln in CapEx for this project in 2017-2018. Also, the company envisions increasing pellet output up to 20 mmt per year. To achieve this output volume, Ferrexpo needs to invest about USD 150 mln annually over five years. In addition, the company needs USD 50 mln in maintenance CapEx p.a. "Thus, an investment of USD 200 mln is required annually over a period of 5 years," stated McMahon. Concorde analyst Andriy Perederey added: "As we expected, April output was lower yoy due to refurbishment work that will finish in mid-June. This means that May output will be lower yoy as well. Also, the company suggests increasing CapEx to 2014 levels after decreasing in 2015 and continuing projects that will increase pellet output. We keep unchanged our expectation of 11.3 mmt of pellets to be produced in 2017 (0.9% yoy increase). We retain our neutral view on Ferrexpo Eurobonds."

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