

DTEK boosts coal production at remaining mines 19% in 1H17

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Posted by:

Posted on : 2017/7/17 22:23:22

Analyst: "we confirm our estimate that DTEK Energy will boost mining of hard steam coal 9% yoy to 23.0 mmt in 2017 (which will result in total coal mining of 24.9 mmt, -15% yoy). We also confirm our bullish view on DTEKUA Eurobonds."

KYIV, July 17, 2017 - Ukraine's leading coal and power holding DTEK Energy (DTEKUA) mined 13.5 mmt of coal in 1H17, Concorde Capital calculated based on sector wide data reported by Interfax-Ukraine on July 14. DTEK Energy boosted coal mining in Ukraine 5% yoy in 1H17, with the growth fueled by 19% yoy growth in mining of hard steam coal in the government-controlled part of Ukraine (to 11.6 mmt). Mining of anthracite coal by DTEK was 1.9 mmt in 1H17, having stopped in March when the holding lost its assets on Ukraine's uncontrolled territory. In June alone, DTEK Energy mined 1.86 mmt of hard steam coal, which is 10% more yoy and flat compared to May, on a daily average basis. Total mining of steam coal in Ukraine increased 3.8% yoy to 15.0 mmt in 1H17, with DTEK's share having increased to 90% from 89% a year ago. Concorde analyst Alexander Paraschii added: DTEK's first-half growth in hard steam coal production can be attributed to the low comparison base. The holding reduced its mining in 1H16 due to a low plan of coal-fired power generation presented by the Energy Ministry in early 2016, but it boosted coal mining in 2H16 after the plan was upgraded. In the second half of this year, we expect DTEK will mine 11.6 mmt of hard steam coal, or nearly flat yoy. Therefore, we confirm our estimate that DTEK Energy will boost mining of hard steam coal 9% yoy to 23.0 mmt in 2017 (which will result in total coal mining of 24.9 mmt, -15% yoy). We also confirm our bullish view on DTEKUA Eurobonds.

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