Fast-growing fertilizer giant EuroChem eyes London float

Jonathan Prynn
Consumer Business Editor

RUSSIAN fertilizer giant EuroChem is planning to float on the London stock market within five years following the opening of two huge potash mines that will dramatically boost the size of the business.

Chief financial officer Andrey Ilyin told the Evening Standard in an exclusive interview that EuroChem — 92%-owned by businessman Andrey Melnichenko — plans to issue about 25% of its shares in London in 2017 or 2018.

The flotation will mark the latest stage in the development of a company that has rapidly grown to become one of the top 10 players in the world's fertilizer industry — vital for maintaining farmers' crop yields — since being founded by Melnichenko in 2001.

Moscow-based EuroChem is investing about $7 billion (£4.3 billion) in the new mines: one in the Volgograd area of southern Russia and another near the city of Perm, close to the Ural mountains. They were described by Ilyin as "quite possibly the two biggest industrial construction sites in Russia outside the hydro-carbon sector... and the biggest greenfield project in the world as well as the most economically viable, we hope, because of the quality of the ore is high, our logistics are good — we are close to the sea — and our capital costs are low".

Majority owner: Melnichenko has a 92% stake

Once complete and producing potash — scheduled for 2017 — the mines have the potential to double the business's underlying earnings of $1.5 billion (£930 million) a year, Ilyin said.

EuroChem, which employs about 20,000 people and produces around 10 million tonnes of fertilizer a year, is also building a new ammonia plant on the Baltic Sea and a phosphate mine in Kazakhstan.

Ilyin said: "Once all these ingredients are visibly in place, then I think we would be ready to do the IPO in London."

The firm would not enter the FTSE 100 index of leading companies because London stock-market rules require foreign-based companies to have no more than 50 per cent of their shares in the hands of one investor to be eligible for inclusion in blue-chip index.

However, Ilyin suggested this could happen over a number of years after the initial listing. He also hinted that EuroChem could choose to increase its size through big acquisitions. "It is a very dynamic industry in terms of M&A, so we don't know what is going to happen. We might approach somebody [about a takeover], we might be approached by somebody," he said.

London was first choice for the listing because it is the closest major international financial centre to the company's headquarters, and is a far more liquid market than Moscow, he added.

EuroChem has about a 5%-10% market share of speciality fertilizer sales in the UK.

Potash prices have been under pressure after the break-up of a marketing agreement between the biggest Russian producer and a Belarusian rival in July.

The new mines are together expected to reach full output capacity of 8.3 million tonnes of potash by 2022.

They will propel EuroChem towards the top of the league in the world fertilizer sector. Ilyin said: "There are only three companies in the world that produce nitrogen, phosphate and potash — we want to be number four."

American TV tweet firm sets up in capital

Oscar Williams-Grut

AN American start-up that helps broadcasters like ITV, Channel 4 and MTV use tweets in shows is opening a London office to enable viewers here to "change the story" of programmes.

Mass Relevance — founded in 2010 and based in Austin, Texas — is setting up in Oxford Street, its first office outside the US. The company is partnered with Twitter and Facebook, and chief executive Sam Decker said: "When you see tweets on TV that's our technology.

"We're working with clients that change the ending of shows based on social media. In American Idol in the US, the audience were the 5th judge — you could save one of the contestants through Twitter voting. You have a chance to change the story of the show now."

San Francisco start-up Task Rabbit also announced today it is opening a London operation.

The online marketplace lets people outsource small jobs to so-called "Taskers" for an hourly payment.

How long until Aldi Nation sees upside in this recovery?

Russell Lynch

ECONOMIC ANALYSIS

HERE are a few snapshots from recovery Britain. Growth next year will improve dramatically, says the OECD think-tank; inflation is at its lowest level for more than a year, at 2.2%; and, erm, almost a third of households have been shopping at discount supermarket Aldi in the last 12 weeks, according to industry figures.

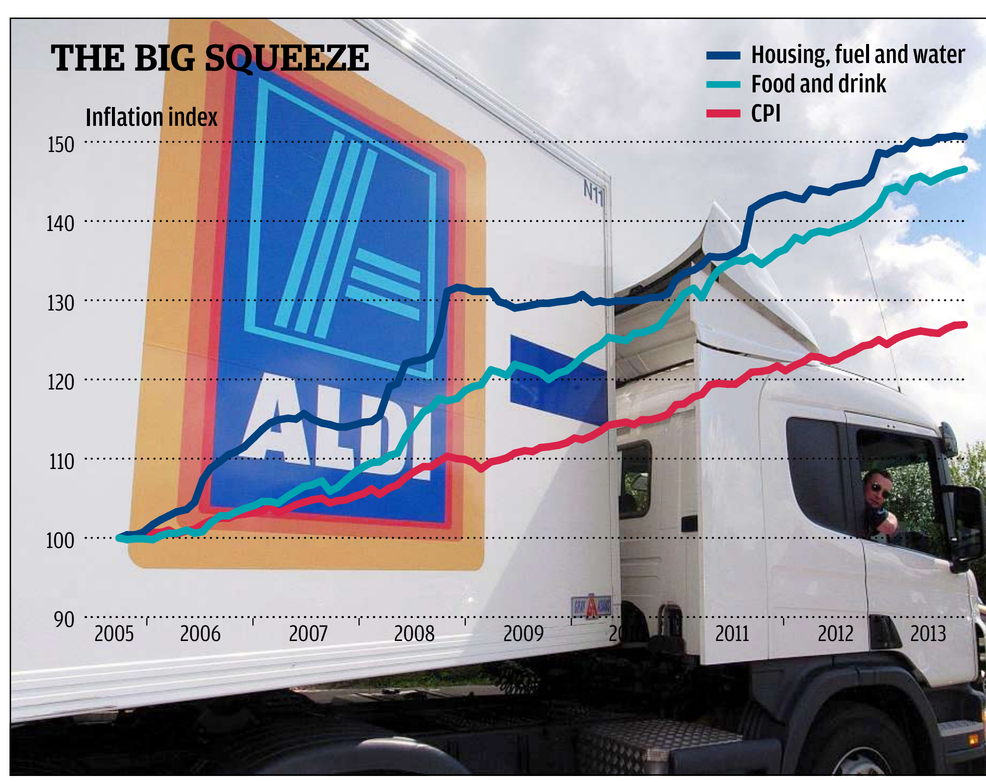
The rapid emergence of Aldi Nation is underlined by research firm Kantar's data. The number of shoppers visiting the stores has grown by 16% year-on-year and they're also putting nearly 15% more in their basket by value. For the Coalition, the rising cost of essentials — with wages back at 2003 levels in real terms — poses the risk that credit for this recovery will be sparing when Britain goes to the ballot box in 18 months while Labour makes hay.

As Bank of England Governor Mark Carney put it, you don't have to be an optimist to see the glass as half full. The IMF also upgraded growth forecasts a month ago. But consumers bracing themselves for 10% rises in gas and electricity bills flopping on to the doormat early in the new year might be forgiven for disagreeing. The graph shows how the cost of essentials such as food, drink and household bills have pushed well ahead of overall prices as measured by the Consumer Prices Index.

Some alarming figures from the Office for National Statistics, meanwhile, show the share of disposable income spent on such household essentials rising from 20% to more than 27% over the past decade. The bulk of this increase — as we in London are painfully aware — has been in the cost of housing, which now accounts for more than 20% of income compared with less than 15% back in 2003. Meanwhile, regular pay is growing at the lowest level since the ONS's records began.

How long will this state of affairs continue? Falling real-terms wages kept a lid on unemployment during the recession, at a cost of lower productivity. This was a good thing for those able to keep paying the mortgage. But there are few signs of a return to real terms growth in salaries in the immediate future.

The Bank's inflation report finds "few signs" of bubbling wage pressure, and adds that firms responding to CBI surveys expect to raise employees' wages at "a broadly similar rate" — around 2% — to the past two years. However, the monetary policy committee sees CPI inflation not falling towards the 2% target until at least the end of next year, signalling another year of at best stagnation in real wages. With the latest hammering from the rising cost of essentials detailed above, it will probably feel like another pay cut.



2014 UK GROWTH ESTIMATES

1.9%
IMF

2.4%
OECD

The reality is that — as cabinet minister-turned-social mobility campaigner Alan Milburn said in an incisive speech at the Resolution Foundation — there are wider structural issues in play: "Economic growth has become decoupled from earnings growth".

Even before the credit crunch, the decline of union representation and the polarisation of high- and low-skilled jobs was squeezing lower-paid incomes. Milburn paints a depressing picture of a new legion of insecure low- and middle-income households, squeezed by sliding real earnings and rising house prices. The hollowing-out of traditional middle-class occupations in the face of marching technology adds to the pressure, with Barclays' decision to cut 1700 jobs from its bank branches a recent case in point.

The uncertain position of these households (if they own a house) posits concerns for growth beyond the next couple of quarters. We've seen rising confidence and a turnaround in consumer credit since the summer but rate-setters are worried that slow growth in real incomes may put the brakes on consumer spending before businesses have been persuaded to invest in recovery and shoulder the recovery burden. Consumers have also been funding spending by digging into savings, which can't last for ever.

Meanwhile Aldi, which doubled UK profits to £124 million in 2012, is on course to open another 50 stores this year. The squeeze may be good for the supermarket, but I'm not sure how clever it is for the Chancellor.

Follow me on Twitter @russ_lynch

Email:
russell.lynch@standard.co.uk