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## Co-owners of Evraz Group invited an investor to saw

Co-owners of Evraz Group Alexander Abramov and Renaissance Group Stephen Jennings have found an investor for the forest business. As Vedomosti learned, the Russian-Chinese investment fund will invest \$ 200 million in their timber company RFP Group

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E. Stetsko

### RFP Group

timber industry holding. the main owner is Alexander Abramov. consolidated financials are not disclosed.

Today, the Russian-Chinese Investment Fund (RCIF), in which the Russian Direct Investment Fund (RDIF) and China Investment Corporation (CIC) promised to invest \$ 1 billion each, will announce the first deal. For \$ 200 million, he will acquire a stake in Russia Forest Products Group (RFP Group), Director General of RDIF Kirill Dmitriev told Vedomosti.

According to Lesprom Network, the RFP Group is the fifth largest timber company in Russia (2.03 million cubic meters in 2011) and the second largest timber export company to China. The company owns not only logging assets (“Dallesprom” and “Flora”), but also processing (“Far Eastern Center for Deep Timber Processing”) and transport (Amur Shipping Company). Co-owner of Evraz Group Alexander Abramov is the “key shareholder” of the RFP Group, the company’s website says.

The deal will allow the fund to become the largest shareholder in the timber company, Dmitriev said. But he refused to disclose its details - the share of the fund and the structure of the transaction.

The deal with RKIF is really being prepared, its parameters are being negotiated, confirmed RFP Group board member Sergei Bratukhin. The same was said to Vedomosti by Renaissance Group co-owner Stephen Jennings. The group, he said, owns 33% of the RFP Group. However, Jennings did not rule out that the Renaissance Group would soon sell this stake, since the timber industry is not a core business for it.

Abramov is one of the richest people in Russia. His fortune was estimated by Forbes at \$ 5.4 billion. The main source of wealth is the steel company Evraz. But the businessman invests in other industries, for example, in infrastructure construction and development business. Abramov started timber processing in 2006. Then, having earned \$ 2 billion from the sale of Evraz shares, the businessman, along with Jennings on an equal footing, bought more than 75% of Khabarovsk Dallesprom, which later became the basis of the RFP Group.

In 2009, the holding began implementing a project to create a complex for deep wood processing in the Far East. By 2018, the RFP Group plans to launch a pulp and paper mill with a capacity of 700,000 tons of pulp per year (this is comparable to the capacity of the largest in Russia pulp and paper mill - Bratsky, part of the Ilim group). The total investment in the Far East project is 56 billion rubles.

In the meantime, the RFP Group exports raw wood and produces lumber. “But the company has very ambitious plans for the development of timber processing projects, and RCIF investments will help these plans,” emphasizes Dmitriev. Abramov managed to build a single production and logistics chain, agrees the head of the analytical department of the investment portal Trade Portal Alexei Rybakov. He estimates the group’s revenue at about 3.4 billion rubles, and net profit at 1 billion rubles. This is a very good indicator for the forest industry, the expert emphasizes.

But implementing new timber processing projects in Russia is difficult due to lack of infrastructure, Zakhar Smushkin, chairman of the board of directors and co-owner of Ilim, said recently in an interview with Vedomosti. However, the RFP Group has found a good investor, Rybakov emphasizes. An important role is played by the reputation of Abramov himself, the expert believes: he is a well-known businessman, cooperates with leading state banks. The entry of RCIF into the capital of the RFP Group is not the first experience of the holding's cooperation with government agencies. In 2010, the RFP Group received a VEB loan of \$ 97.3 million for the implementation of the first stage of creating the complex (organizing the production of lumber), and recently the company agreed with VTB on a loan of \$ 11 million.

The purchase of a stake in the RFP Group is “not an attempt to subsidize a project, to develop a region; we need to show investors that it is possible to invest in the Far East with good profitability,” says Dmitriev. The return on investment, he said, would be “reasonable.” The deal aroused great interest among the participants in the APEC summit now, says Dmitriev: "The countries of the region are trying to understand how to invest in each other, through what mechanisms, the fund's transaction is perceived as an example of such a mechanism."

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