



## Closing of an idea to buy Petropavlovsk GDRs

Roman Trotsenko is selling a 22.4% stake in Petropavlovsk to Uzhuralzoloto, the Russian media reported. We believe the deal is potentially negative for the company's further development in terms of shareholder value and therefore close the investment idea that delivered a 71% return.

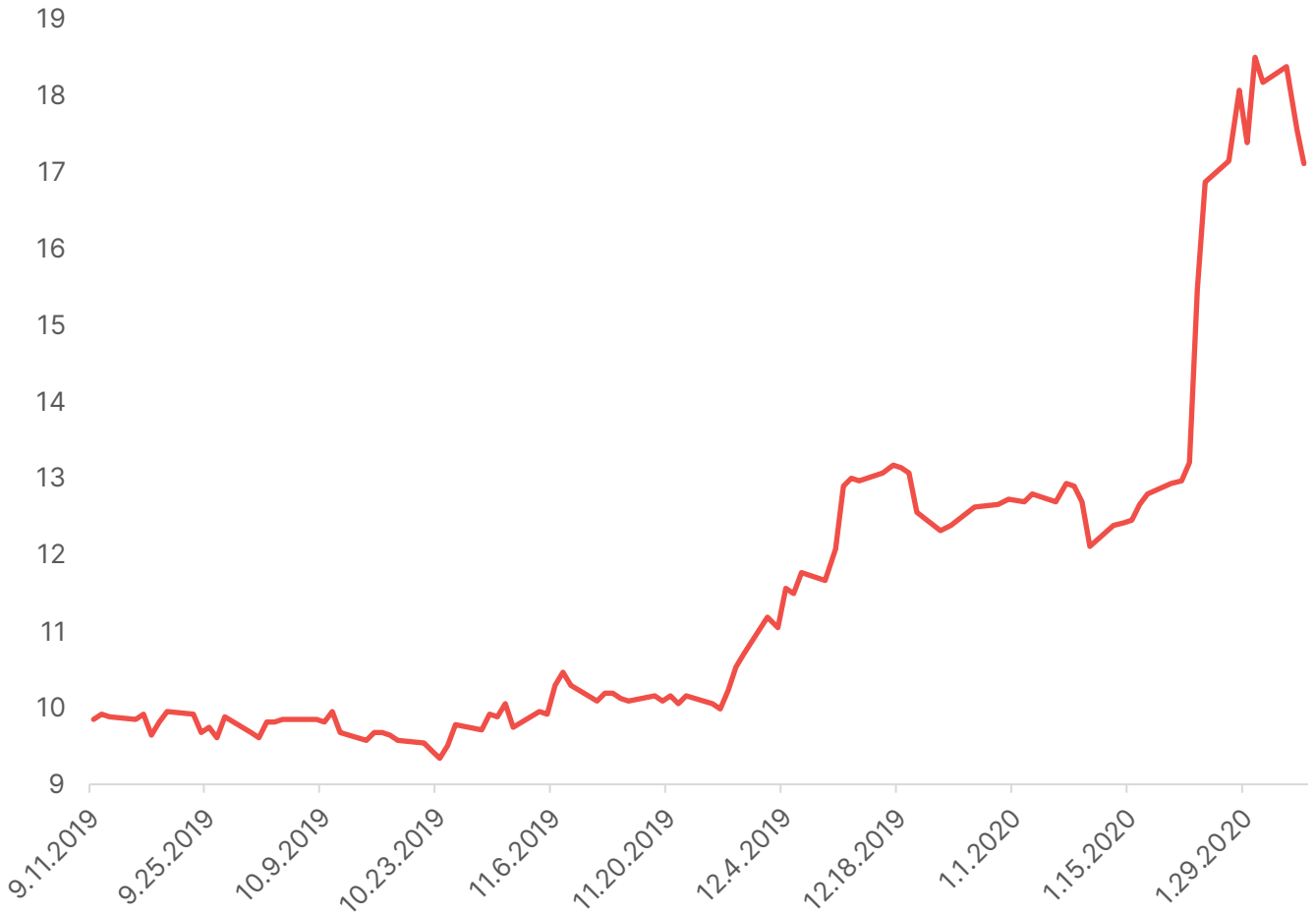
On February 3, the parties signed an agreement on the sale of 22.4% of Petropavlovsk shares (and bonds convertible to 5.97% of shares), Vedomosti reported. Roman Trotsenko bought his stake in Petropavlovsk in July 2019. Other major shareholders of Petropavlovsk are Prosperity Capital Management (13.5%) and Everest Alliance (7.5%).

The family of Konstantin Strukov, chairman of the board, controls close to 100% of UGC, Kommersant reports. Uzhuralzoloto is the fourth-largest gold producer in Russia.

In 2019, Petropavlovsk markedly ramped up its processing capacity by commissioning a flotation plant in Malomir, which allowed the company to use third-party ore. The company has been seeking to launch new floatation facilities at Pioneer plant. Therefore, Petropavlovsk and its gold mining and processing assets are expected to strengthen Uzhuralzoloto's business. In our view, the move carries a potential risk for Petropavlovsk shareholders if revenue from ore processing services across its facilities decreases and has a negative impact on the company's financial performance. We also believe there's a risk that the new shareholder has little interest in increasing the shareholder value of Petropavlovsk and maintaining transparency of its operations for investors.

We're closing an idea to buy Petropavlovsk GDRs that delivered a 71% return.

PRICE PERFORMANCE SINCE IDEA OPENING, GBP/GDR



Source: Bloomberg, ITI Capital

## CONTACT LIST:

### Trading

Alexey Saltykov | Head of Trading | [Alexey.Saltykov@iticapital.com](mailto:Alexey.Saltykov@iticapital.com)

Mikhail Durov | Fixed Income Trader | [Mikhail.Durov@iticapital.com](mailto:Mikhail.Durov@iticapital.com)

### Sales

Aleksandr Panfilov | Head of Fixed Income Sales | [Aleksandr.Panfilov@iticapital.com](mailto:Aleksandr.Panfilov@iticapital.com)

### Research

Iskander Lutsko | Head of Research, Chief Investment Strategist | [Iskander.Lutsko@iticapital.com](mailto:Iskander.Lutsko@iticapital.com)

Anna Kupriyanova | Head of Equity Research | [Anna.Kupriyanova@iticapital.com](mailto:Anna.Kupriyanova@iticapital.com)

Olga Nikolaeva | Senior Fixed Income Research Analyst | [Olga.Nikolaeva@iticapital.com](mailto:Olga.Nikolaeva@iticapital.com)

Irina Fomkina | Research Analyst | [Irina.Fomkina@iticapital.com](mailto:Irina.Fomkina@iticapital.com)

Kirill Sosov | Research Analyst | [Kirill.Sosov@iticapital.com](mailto:Kirill.Sosov@iticapital.com)

Nikita Kosykh | Research Analyst | [Nikita.Kosykh@iticapital.com](mailto:Nikita.Kosykh@iticapital.com)

Oleg Makarov | Chief Editor | [Oleg.Makarov@iticapital.ru](mailto:Oleg.Makarov@iticapital.ru)

### CONTACT DETAILS:

ITI Capital Limited  
Level 33 Tower 42,  
25 Old Broad Street,  
London EC2N 1HQ,  
United Kingdom

### PHONE:

+44 (0) 20 3889 8333

+44 (0) 20 3889 8331

### WEB:

[iticapital.com](http://iticapital.com)

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