

Abterra plans \$300m acquisitions

By JAMIE LEE

ABTERRA, a supply chain manager of coking coal and iron ore, is in talks with two to three Chinese coal miners to acquire stakes totalling about \$300 million over the next one year, a top executive told BT in an interview yesterday. This will be funded through a convertible bond issue or a share placement, said chief executive Jaffe Lau.

"We have about two to three targets," Mr Lau said in Mandarin. "We hope to invest about \$300 million in 2009. But we must be able to raise the funds. We will go through capital finance, including convertible bonds or placement." Abterra said it will also consider taking up bank loans, depending on market conditions. It has no gearing currently and depends on short-term trade financing.

The company is bullish on the coal sector, particularly with coking coal, as it said the industry is controlled by a few big international players that include BHP Billiton and Rio Tinto Group. "We hope to expand from China because it's impossible for us to compete internationally," said Mr Lau, adding that margins for coal trading beat those for iron ore trading by about 5 per cent.

He also expects up to 5 per cent correction in coal prices as they are more stable than iron ore prices, which have come off 10 per cent recently and are expected to slide by a further 10 per cent over the next one to two months. Abterra plans to expand into India - which imports a significant volume of coking coal - while China remains a key market. The company had said in March that it would buy 49.9 per cent of a coke processing plant known as Shanxi Loudong General Nice Coking & Gas for up to \$180.9 million.

While Abterra will take on an M&A strategy for the coal business, it expects to focus on organic growth for its iron ore trade - which is the biggest component in terms

of sales volume - as the iron ore market is bigger, said Mr Lau. The company also hopes to expand its Indonesian iron ore business. Despite the country's stricter and more complicated regulations, Mr Lau expects to see a liberalised market soon. Abterra said yesterday that full-year net profit surged more than 13 times to \$14 million, from \$1.02 million the previous year, thanks to stronger sales and higher margins. Revenue more than tripled to \$392.3 million due to robust demand from China, with gross profit margin improving to 4.7 per cent from 2.7 per cent. Earnings per share jumped by about ten times to 0.39 cents from 0.04 cents.

ZAP

HERE

Ermenegildo Zegna

for daily inspirational quotes