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Yara stake an act of faith in Burrup

Shelving floats this year has almost become par for the course, but Burrup Holdings has earned a special notoriety for its failure to get to market twice.

The ammonia producer shelved its first offering citing wobbly gas contracts, and was forced to delay its plan for the second attempt after Western Australia's Apache gas explosion cut off supplies to the project along with much of the state.

All of which makes it particularly interesting that Burrup shareholder Yara International has decided to increase its stake in the company, and at a price that appears to be higher than the level set for the float.

Yara said yesterday it had raised its holding to 35 per cent of Burrup by acquiring a 5 per cent stake from founder Pankaj Oswal for \$US141 million (\$179 million).

A back of the envelope calculation suggests that puts the equity value of the business at about \$2.8 billion, above the \$2.5 billion or so value at which the float's latest incarnation

was pitched. And the accompanying statements about the sale did a good job of warming up investors for the third attempt (possibly early next year, given the market uncertainty) by stressing the gas monetisation and ammonia play in a way that would make advisers UBS (and Macquarie, which popped up on the ticket the last time) proud.

Yara chief Thorleif Enger says the purchase will strengthen Yara's contractual rights to downstream upgrading and marketing from Burrup, while Oswal notes that the transaction "provides a benchmark for the floor price and underpins the IPO valuation of the company".

Burrup owns and operates an ammonia plant at Burrup Peninsula with annual production capacity of 850,000 tonnes of liquid ammonia. It is also pressing ahead with an ammonium nitrate expansion project next to the existing ammonia plant.