



CONCORDE CAPITAL

Ukraine/ Metals

Alchevsk Iron & Steel

9M05 Financials Confirm Our Forecasts

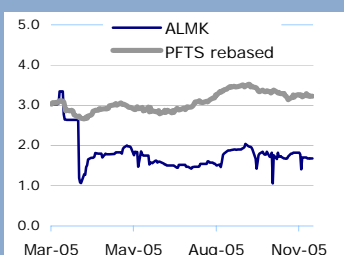
BUY

15 Nov 2005
12m Target

Undiluted	Diluted*
USD 0.32	USD 0.042
USD 0.60	USD 0.062

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ALMK Mid-Market, UAH



Market Information

PFTS	ALMK
Bloomberg	ALMK UZ
No of Shares, mln	
Undiluted	775.3
Diluted*	10,775.3

Market price, USD **0.32**

MCap, USD mln **245.6**
Free Float, % **4.5%**

Stock Ownership

IUD	90.3%
Other	9.7%

Ratios 2004

EBITDA Margin	5.1%
Net Margin	1.1%
Net Debt/Equity	0.02

Alchevsk Iron & Steel has met our expectations by reporting a significant improvement in its 9M05 financials yoy. The company's margins have bounced back, reinforcing the pattern we observed in its 1H05 financials. We reiterate our BUY recommendation for the stock.

Margin Rebound In 9M05 Reinforces Positive 1H05 Dynamics. With sales up 28.9% yoy in 9M05, Alchevsk Iron & Steel's EBITDA margin shot up from 5.6% to 14.3%, and its net margin surged from 1.2% to 8.5% for the period on a yoy basis.

Ticker	Sales, USD mln		Chg, yoy	EBITDA mgn		Net mgn	
	9M04	9M05		9M04	9M05	9M04	9M05
ALMK	564.8	727.8	28.9%	5.6%	14.3%	1.2%	8.5%

This was fully in line with the dynamics ALMK showed in 1H05, outperforming its 'big 4' peers in terms of margin growth, and appears to us to be sign that the company is phasing out transfer pricing and improving operational efficiency through modernization.

Ticker	EBITDA mgn		Net mgn	
	1H04	1H05	1H04	1H05
MMKI	24.0%	22.1%	15.7%	13.0%
AZST	16.3%	17.7%	8.6%	10.8%
KSTL	31.4%	24.4%	23.1%	14.3%
ZPST	20.1%	16.2%	11.7%	9.6%
ALMK	5.3%	15.6%	0.7%	10.1%

Still Massively Undervalued. The company's multiples are significantly lower than those of its domestic peers. This makes it our top pick in the steel stock universe. We keep our target at USD 0.60 per share and maintain a BUY recommendation.

Company	Price USD	MCap USD mln	EV/S		EV/EBITDA		P/E	
			2005E	2006E	2005E	2006E	2005E	2006E
KSTL	0.75	2,885	1.46	1.39	5.8	5.6	10.2	10.0
MMKI	0.56	1,865	0.64	0.68	3.7	4.3	7.0	9.1
AZST	0.52	1,655	0.85	0.85	5.5	6.0	9.3	8.9
ZPST	1.02	858	0.54	0.57	3.1	4.0	6.2	9.1
ALMK	0.32	246	0.29	0.43	2.0	3.1	2.9	2.9
Average w/o ALMK			0.87	0.87	4.5	5.0	8.2	9.3
Median w/o ALMK			0.75	0.76	4.6	5.0	8.1	9.1

Source: Company Data, Concorde Capital estimates

KEY FINANCIAL DATA*, USD mln

	Net Revenue	EBITDA	Net Income	DPS, USD
2004	801	41	8	0.000
2005E	935	140	84	0.000
2006E	1,071	150	86	0.000

Spot Exch Rate 5.05

KEY RATIOS

	EV/S	P/E	EV/EBITDA	Div Yield
2004	0.31	29.00	6.06	0.0%
2005E	0.29	2.92	1.96	0.0%
2006E	0.43	2.86	3.10	0.0%

*An additional share issue was approved by at the AGM on September 30, 2005. The subscription period is Dec 16, 2005– Feb 18, 2006, ex-rights date is Dec 16.

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