



CONCORDE CAPITAL

Ukraine / Coke

# Avdiyivka Coke

Notes from AGM

June 19, 2008

Current price: USD 4.12  
12M Target: USD 7.62

**BUY**

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- At the AGM today, management announced their target of reaching full utilization in more than five years (+90% to coke production in 2007)
- Shareholders voted to increase the company's charter fund by 0.8%. Subscription will be held at par
- Our 12M target price of USD 7.62 per share offers an appealing upside of 85%

## Tickers

Bloomberg AVDK UZ

## Market information

Market price, USD	4.12
MCap, USD mln	797.6
52Wk Hi/Low, USD	4.5/2.43
No of shares, mln	193.6
Free float	3.2%
Free float, USD mln	25.5

According to company CEO Gennady Vlasov, Avdiyivka Coke is targeting to increase output to its projected capacity, 6.8 mln mt per year in more than five years. We stick to our LT forecast of 5.7 mln mt of coke per annum.

At the AGM, shareholders voted to conduct a 0.8% charter fund increase. Subscription will be held in two stages: (1) from August 11 to September 1 on a pro-rata basis and (2) on September 2; the ex-rights date will be August 8. The new shares will be placed at par value, UAH 1.76 (USD 0.36).

For valuation details, see our Avdiyivka Note of May 14, 2008.

## Corporate Governance

Concorde Rating\* A

\* The rating is based on Concorde Capital's corporate governance survey. Q denotes quality corporate governance standards, AA - above average standards, A - average, BA - below average and P - poor.

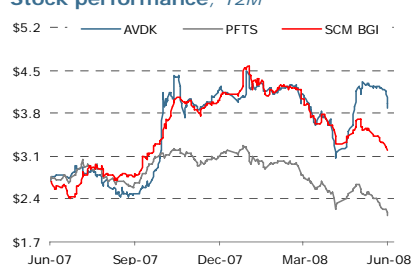
## Shareholders

Metinvest	90.9%
MMK Illicha Steel	5.9%
Other	3.2%

## Ratios 2008E

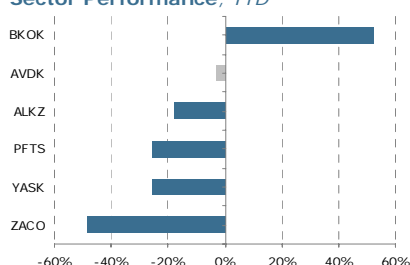
EBITDA margin	18.0%
Net margin	9.8%

## Stock performance, 12M\*

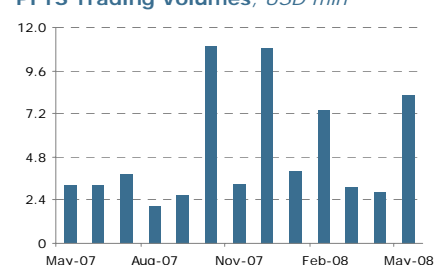


Source: PFTS, Bloomberg. \* PFTS index, SCM BGI rebased to AVDK's price

## Sector Performance, YTD



## PFTS Trading Volumes, USD mln



## Key financials & ratios, USD mln

	Revenue	EBITDA margin	Net margin	EV/S	EV/EBITDA	P/E
2007	963.9	11.5%	-4.3%	1.1	8.0	n/m
2008E	1,669.6	18.0%	9.8%	0.5	2.8	4.8
2009E	1,712.0	17.5%	9.9%	0.5	2.8	4.6

Spot exchange rate: 5.05 UAH/USD

## Appendix - Disclosures

### Analyst Certification

We, Andriy Gerus and Eugene Cherviachenko, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject securities and issuers. We also certify that no part of our compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

#### Avdiyivka Coke\*

Date	Target price, USD	Market Price, USD	Rec'	Action
23-Sept-05	6.74	3.56	BUY	Initiating
23-Aug-06	4.79	2.96	BUY	Upgrade
29-Dec-06	4.79	2.00	BUY	Maintain
28-Feb-07	5.14	2.13	BUY	Maintain
17-Oct-07	6.20	3.08	BUY	Maintain
04-Dec-07	6.20	3.92	BUY	Maintain
14-May-08	7.31	3.91	BUY	Maintain
26-May-08	7.62	4.50	BUY	Maintain
19-June-08	7.62	4.12	BUY	Maintain

\* Until March 2007 the company was covered by Andriy Gostik, who now focuses on another sector. In February 2007, Eugene Cherviachenko took over coverage; in October 2007, Andriy Gerus joined the metals & mining group.

#### AVDK Recommendation history, USD per share



## Investment Ratings

The time horizon for target prices in Concorde Capital's research is 12 months unless otherwise stated. Concorde Capital employs three basic investment ratings: Buy, Hold and Sell. Typically, Buy recommendation is associated with an upside of 15% or more from the current market price; Sell is prompted by downside from the current market price (upside <0%); Hold recommendation is generally for limited upside within 15%. Though investment ratings are generally induced by the magnitude of upside, they are not derived on this basis alone. In certain cases, an analyst may have reasons to establish a recommendation where the associated range given above does not correspond. Temporary discrepancies between an investment rating and its upside at a specific point in time due to price movement and/or volatility will be permitted; Concorde Capital may revise an investment rating at its discretion. A recommendation and/or target price might be placed Under Review when impelled by corporate events, changes in finances or operations. Investors should base decisions to Buy, Hold or Sell a stock on the complete information regarding the analyst's views in the research report and on their individual investment objectives and circumstances.

### Concorde Capital ratings distribution

Buy	56	49%
Hold	22	19%
Sell	19	17%
Under Review	18	16%
<b>Total</b>	<b>115</b>	<b>100%</b>

### Investment banking clients\*

Buy	6	100%
Hold	0	0%
Sell	0	0%
Under Review	0	0%
<b>Total</b>	<b>6</b>	<b>100%</b>

\* Within the last twelve month period, Concorde Capital has obtained compensation from these companies for investment banking services.

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