

Bogdan Motors

Corporate events bolster free float

Private placement could increase free float by 13%

This Friday, Bogdan Motors will close the books on an offering of 560 mln shares of common stock (12.94% stake) at an estimated valuation of USD 19.7 mln (USD 0.035 per share). As a result of the placement, the majority shareholder, Bogdan Corporation's, stake will be reduced to 76.16%.

Friday EGM to vote on equity capital increase

Bogdan Motors will hold an EGM on Friday to approve a 33% share capital increase (USD 52 mln) via an additional share issue. Bogdan Corporation pledged to invest proceeds from its SPO into the equity injection. Bogdan Motors agreed with some of its creditors to convert a portion of its unstructured debt (about 4%) into new equity during the capital increase. If completed, net debt would stand at approximately USD 375 mln, according to our estimates.

The equity injection follows the announcement by Bogdan Motors' management in early April that the company restructured almost 80% of its outstanding debt with a grace period on principal repayments until 2013 and full repayment due by 2019. Bogdan also said it converted most of its foreign-currency loans into hryvnias.

Net debt to Equity was 3.1x in 1Q11

According to our estimates, Bogdan Motors needs an additional USD 150 mln beyond estimated proceeds from the capital increase to finance working capital related to expected threefold y-o-y sales growth in 2011. Net debt to Equity was still high at 3.1x in 1Q11, and we do not exclude the possibility of another additional share issue in 2011-2012.

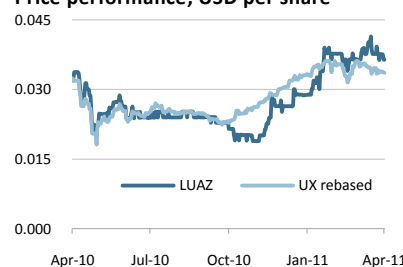
Valuation: BUY

We technically adjust our target price for Bogdan Motors from USD 0.087 per share to USD 0.068 per share, based on the new number of shares and capital structure (upside: 117%). As the share issue will be conducted at market price (according to the company), we do not expect any negative market reaction. In our view, this month's corporate events improve the investment attractiveness of Bogdan Motors by boosting free float and slightly mitigating the company's high credit risk. BUY.

Report date	28 Apr 2011
Bloomberg	LUAZ UK
Reuters	LUAZ.UAX
Recommendation	BUY
Price (27 Apr 11), USD	0.036
12M price target, USD	0.068
No of shares, mln	4,326.9
Market Cap, USD mln	157.5
52-week performance	10.9%
52-week range, USD	0.019/0.041
ADT, 12M, USD mln	0.039
Free float, %	10.9
Free float, USD mln	17.2

Market data before additional share issue
 Prices as of April 27, 2011

Price performance, USD per share



Source: Bloomberg, UX

Bogdan Motors' shareholder structure

	Pre-placement	Post-share issue*
Major shareholder	89.10%	68.18%
Free float, including:	10.90%	31.82%
New Investors	0.00%	12.94%
Existing Investors	10.90%	10.90%
Creditors	0.00%	7.97%
Total shares	100.00%	100.00%

* Estimated by Bogdan Corporation
 Source: Company data

Financial statements

Income statement summary, USD mln

	2009	2010	2011E	2012F	2013F	2014F	2015F	2016F
Net Revenues	158	215	703	896	1 142	1 376	1 619	1 850
Change y-o-y	N/M	36,1%	226,5%	27,5%	27,5%	20,5%	17,7%	14,2%
Cost Of Sales	(162)	(169)	(585)	(747)	(953)	(1 151)	(1 357)	(1 552)
Gross Profit	(4)	46	118	148	189	225	262	298
Other Operating Income/Costs. net	(16)	10	-	-	-	-	-	-
SG&A	(18)	(33)	(126)	(74)	(77)	(83)	(98)	(112)
EBITDA	(37)	23	(8)	75	111	142	165	187
EBITDA margin. %	-23,5%	10,6%	-1,2%	8,3%	9,7%	10,3%	10,2%	10,1%
Depreciation	(23)	(26)	(22)	(21)	(20)	(19)	(18)	(18)
EBIT	(60)	(3)	(31)	54	92	123	147	169
EBIT margin. %	-37,9%	-1,5%	-4,4%	6,0%	8,0%	8,9%	9,1%	9,1%
Interest Expense	(23)	(29)	(67)	(95)	(104)	(106)	(110)	(104)
Financial income	15	0	-	-	-	-	-	-
Other income/(expense)	(12)	(0)	-	-	-	-	-	-
PBT	(80)	(32)	(98)	(42)	(13)	17	37	65
Tax	(0)	-	-	-	-	-	-	-
Effective tax rate	0%	0%	0%	0%	0%	0%	0%	0%
Net Income	(80,2)	(32,2)	(98,0)	(41,6)	(12,7)	17,3	37,2	64,6
Net Margin. %	-50,7%	-15,0%	-13,9%	-4,6%	-1,1%	1,3%	2,3%	3,5%

Balance sheet summary, USD mln

	2009	2010	2011E	2012F	2013F	2014F	2015F	2016F
Current Assets	307	320	636	635	752	838	938	1 016
Cash & Equivalents	2	7	11	22	29	34	40	46
Trade Receivables	49	52	169	90	114	138	162	185
Inventories	45	62	175	164	210	253	299	341
Other current assets	211	199	281	358	400	413	437	444
Fixed Assets	315	303	288	277	267	259	257	262
PP&E, net	153	129	155	138	126	113	106	105
Other Fixed Assets	162	174	133	139	142	145	152	158
Total Assets	621	622	925	912	1 020	1 097	1 195	1 279
Shareholders' Equity	168	136	38	(4)	(17)	(3)	27	79
Share Capital	211	211	211	211	211	211	211	211
Reserves and Other	(42)	(74)	(173)	(214)	(227)	(213)	(183)	(132)
Current Liabilities	214	115	514	465	586	650	718	825
ST Interest Bearing Debt	111	8	252	251	324	347	378	455
Trade Payables	54	24	175	112	143	173	204	233
Accrued Wages	0	1	2	2	3	3	4	4
Accrued Taxes	0	0	1	2	2	3	3	4
Other Current Liabilities	49	83	84	99	114	124	130	129
LT Liabilities	239	370	372	450	450	450	450	375
LT Interest Bearing Debt	239	368	372	450	450	450	450	375
Other LT	-	3	-	-	-	-	-	-
Total Liabilities & Equity	621	622	925	912	1 020	1 097	1 195	1 279

Cash flow statement summary, USD mln

	2009	2010	2011E	2012F	2013F	2014F	2015F	2016F
Net Income	(80)	(32)	(98)	(42)	(13)	17	37	65
D&A	23	26	22	21	20	19	18	18
Non-operating and non-cash items	(4)	(0)	(11)	(3)	(4)	(4)	(4)	(4)
Changes in working capital	(34)	(4)	(159)	(35)	(64)	(40)	(56)	(42)
Operating Cash Flow	(95)	(10)	(245)	(59)	(61)	(7)	(5)	36
Capital Expenditures, net	(1)	(1)	(1)	(6)	(6)	(6)	(13)	(19)
Other Investments, net	(13)	-	-	-	-	-	-	-
Investing Cash Flow	(14)	(1)	(1)	(6)	(6)	(6)	(13)	(19)
Net Borrowings/(repayments)	91	25	250	77	73	23	31	1
Dividends Paid	-	-	-	-	-	(3)	(7)	(13)
Equity Financing & Other	(14)	(1)	-	-	-	-	-	-
Financing Cash Flow	77	24	250	77	73	20	24	(12)
Beginning Cash Balance	N/A	2	7	11	22	29	34	40
Ending Cash Balance	2	7	11	22	29	34	40	46
Net Cash Inflows/Outflows	(32)	13	3	12	6	6	6	6

UAH/USD exchange rates

	2009	2010	2011E	2012F	2013F	2014F	2015F	2016F
Average	7,80	7,93	8,00	8,00	8,00	8,00	8,00	8,00
Year-end	7,99	7,96	8,00	8,00	8,00	8,00	8,00	8,00

Appendices

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