



CONCORDE CAPITAL

Ukraine / CE Retail

Ekvin

Rolling into 2008

March 07, 2008

Current price: USD 108
12M Target: USD 170

BUY

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- 2007 full year financials released at Ekvin's AGM today prove strong momentum
- Sales grew 54% yoy to USD 177 mln; EBITDA margin doubled
- Management announced upbeat targets for 2008: 40% sales increase, 38% retail chain expansion
- Overlooked by the market, KVIN has been flat at unwarranted discount to Russian M.Video, suggesting 29%-82% upside

Tickers

PFTS KVIN UZ

Market information

Market price, USD	108.0
M.Cap, USD mln	86.8
No of shares, mln	0.8
Free float	27%
Free float, USD mln	23.4

Prices as of Mar. 06, 2008

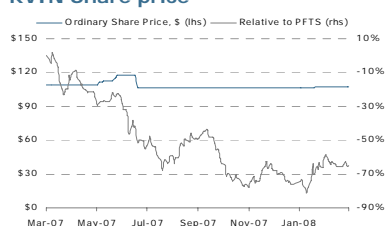
Shareholders

Management	73%
Institutional investors	27%

Ratios, 2007

Gross margin	14.1%
EBITDA margin	5.1%
Net margin	1.3%
Net debt/Equity	0.5

KVIN Share price



Source: PFTS, Concorde Capital

Sales growth accelerated to 54% last year

In 2007 Ekvin's sales grew by 54% yoy (vs. +27% yoy in 2006) to USD 177 mln, which was 4.2% above our forecast. Retail revenues increased by 26% yoy to USD 124 mln, while corporate sales soared by 160% yoy to USD 39 mln. Among Ekvin's products, computers, with a 74% yoy increase to USD 63 mln, was the fastest and biggest growing segment. Laptop sales increased the most, at 78% yoy to USD 21 mln.

Profitability surged in 2007

In 2007, Ekvin's gross and EBITDA margins rose 1.9 and 3.0 pp yoy, while its net margin reached 1.3% (from negative 2.3% in 2006). As we wrote in our December report, the progress resulted from growing its high-yield corporate segment and changing focus from expansion to efficiency. Additionally, in 2007 Ekvin halved borrowing costs to 12% by replacing expensive debt with new borrowing, including foreign loans. This led interest expenses as percentage of revenues to drop from 3.3% in 2006 to 1.4% in 2007.

Ekvin became Ukraine's #2 PC retailer

According to IDC, an international research agency, Ekvin was Ukraine's #2 PC retailer in 9M07 and we expect it to retain this position based on its full-year results. The progress was a result of retail chain expansion and accelerated PC assembly. In 2007 the company expanded its network by 30% yoy to 65 stores by the end of the year, which made Ekvin #3 domestic CE retailer by retail chain size. Over 2007 Ekvin increased PC assembly by 67% yoy to 60 ths units, which strengthened its position among Ukraine's top-5 of PC assemblers.

Management targets for 2008: building up momentum

The targets announced by Ekvin's management at the AGM for the current year closely correspond to our estimates:

Summary of Ekvin's 2008 key business targets

	2007	chg. Yoy	2008	chg. Yoy
Sales	177	54%	248	40%
Retail	124	26%	165	33%
Corporate	39	160%	59	50%
EBITDA	9.1	276%	12.4	36%
% of sales	5.1%	-	5.0%	-
# stores, eop	65	30%	90	38%
Trading area, sq. M	25,091	34%	35,000	39%
PC assembling, ths units	60	67%	75	25%

Source: Company data, Concorde Capital calculations

Valuations attractive

M.Video, brought public in Nov 2007, represents the best public proxy for Ekvin. Ekvin, posting larger profitability, trades at an unjustified discount of 32%-45% to M.Video on EV/EBITDA '08E and P/E '08E. We see the Ukrainian CE retailer as an appealing buying opportunity and confirm our target of USD 170 per share (57% upside).

Key financials & ratios, USD mln

	Net Revenue	Gross profit	EBITDA	Net income	EV/S	EV/EBITDA	P/E
2007	177	25	9.1	2.4	0.6	11.0	35.8
2008E	253	38	12.6	4.6	0.4	8.2	18.7
2009E	344	55	17.2	7.2	0.3	6.6	11.9

Spot exchange rate: 5.05 UAH/USD

Relative valuation

Company	Price, USD	MCap, USD mln	EV/S			EV/EBITDA			P/E		
			2007	2008E	2009E	2007	2008E	2009E	2007	2008E	2009E
Ekvin	108.0	86.8	0.6	0.4	0.3	11.0	8.2	6.6	35.8	18.7	11.9
RUSSIAN PEERS											
M.Video	7.50	1,348	0.7	0.5	0.4	16.8	12.1	9.3	56.4	34.0	22.0
GLOBAL PEERS											
Gome Electrical Appliances	2.30	7,550	1.2	0.9	0.7	26.0	18.3	13.6	38.6	24.9	19.5
Fone Zone Ggroup	0.58	82	0.3	0.2	0.2	3.4	3.0	2.7	7.9	6.2	5.4
JB HI-FI	9.34	989	0.6	0.5	0.4	10.8	8.8	7.4	17.5	14.4	12.1
Avenir Telecom	2.31	215	0.2	0.2	0.2	4.8	4.2	2.6	8.2	8.0	7.6
Best Buy	43.28	18,155	0.4	0.4	0.3	6.2	5.9	5.2	13.1	13.0	12.4
DSG International	1.30	2,297	0.2	0.2	0.1	3.4	3.5	3.4	7.0	7.6	7.0
Elektroniki Athinon	10.65	184	0.5	0.4	0.4	5.5	5.0	4.8	15.1	13.4	11.8
Kesa Electricals	4.29	2,274	0.3	0.2	0.2	4.8	4.5	4.1	10.2	9.9	8.7
Mobilizezone Holding	6.56	235	0.7	0.7	0.6	7.8	6.5	5.3	14.9	12.5	10.9
Rex Stores	17.50	177	0.7	0.7	0.4	7.3	6.3	2.8	4.5	14.8	10.4
Radioshack	17.51	2,296	0.5	0.4	0.5	4.4	4.2	4.3	11.1	11.8	13.5
Plaisio Computers	12.23	270	0.5	0.5	0.4	9.6	10.1	9.7	21.8	16.1	15.8
Staples	22.49	15,903	0.8	0.7	0.7	7.8	7.3	6.8	15.6	14.5	13.5
Average			0.5	0.5	0.4	7.8	6.7	5.6	14.3	12.9	11.4
Ekvin price, USD											
Implied by M Video			138.8	138.2	146.6	171.4	170.3	164.2	168.4	194.8	197.4
<i>Upside/(Downside)</i>			<i>30%</i>	<i>29%</i>	<i>37%</i>	<i>60%</i>	<i>59%</i>	<i>53%</i>	<i>57%</i>	<i>82%</i>	<i>85%</i>
Implied by global peers avg.			100.5	122.8	142.4	71.5	82.8	85.9	42.6	73.5	102.4
<i>Upside/(Downside)</i>			<i>-6%</i>	<i>15%</i>	<i>33%</i>	<i>-33%</i>	<i>-23%</i>	<i>-20%</i>	<i>-60%</i>	<i>-31%</i>	<i>-4%</i>

Financial Statements, UAS

Income Statement Summary, USD mln

	2006	2007	2008F	2009F	2010F	2011F	2012F
Net Revenues	115	177	253	344	427	501	562
<i>Change y-o-y</i>	27%	54%	43%	36%	24%	18%	12%
Cost Of Sales	(101)	(152)	(215)	(289)	(354)	(411)	(456)
Gross Profit	14	25	38	55	73	90	107
<i>Gross margin %</i>	12%	14%	15.0%	16.0%	17.0%	18.0%	19.0%
Other Op. Income/ Costs. Net	(0.3)	0.6	-	-	-	-	-
SG&A	(11)	(16)	(25)	(38)	(51)	(65)	(79)
EBITDA	2	9	13	17	21	25	28
<i>EBITDA margin. %</i>	2.1%	5.1%	5.0%	5.0%	5.0%	5.0%	5.0%
Depreciation	(1)	(2)	(1)	(1)	(1)	(1)	(1)
EBIT	1	7	12	16	20	24	27
<i>EBIT margin. %</i>	1.2%	3.7%	4.7%	4.8%	4.8%	4.8%	4.8%
Interest Expense	(4)	(2)	(6)	(7)	(8)	(9)	(8)
Financial income	-	-	-	-	-	-	-
Other income/(expense)	-	-	-	-	-	-	-
PBT	(2)	4	6	9	12	16	19
Tax	-	(1)	(1)	(2)	(2)	(3)	(4)
Extraordinary income/(loss)	-	(1)	-	-	-	-	-
Net Income	(2.4)	2.4	4.6	7.2	9.7	12.4	15.3
<i>Net Margin. %</i>	-2.1%	1.3%	1.8%	2.1%	2.3%	2.5%	2.7%

Balance Sheet Summary*, USD mln

	2006	2007	2008F	2009F	2010F	2011F	2012F
Current Assets	34	59	75	99	122	143	159
Cash & Equivalents	3	11	12	14	17	20	22
Trade Receivables	7	6	13	17	21	25	28
Inventories	20	33	44	60	73	85	94
Other current assets	4	9	6	9	11	13	14
Fixed Assets	22	22	35	40	43	46	47
PP&E, net	21	21	34	38	41	44	44
Other Fixed Assets	1	1	2	2	2	2	2
Total Assets	56	81	110	139	165	188	206
Shareholders' Equity	11	23	28	35	45	57	73
Share Capital	0	9	9	9	9	9	9
Reserves and Other	11	13	19	26	36	48	63
Current Liabilities	25	46	76	97	114	124	126
ST Interest Bearing Debt	0	12	26	33	39	39	34
Trade Payables	23	30	47	61	71	80	87
Accrued Wages	0	0	-	-	-	-	-
Accrued Taxes	0	0	-	-	-	-	-
Other Current Liabilities	2	4	3	3	4	5	6
LT Liabilities	19	12	7	7	7	7	7
LT Interest Bearing Debt	19	12	7	7	7	7	7
Other LT	0	0	-	-	-	-	-
Total Liabilities & Equity	56	81	110	139	165	188	206

*PP&E and shareholder equity accounts in 2006 restated to include revaluation in the amount of USD 12 mln

UAH/USD Exchange Rates

	2006	2007	2008F	2009F	2010F	2011F	2012F
Average	5.05	5.05	5.00	5.00	5.00	5.00	5.00
Year-end	5.05	5.05	5.00	5.00	5.00	5.00	5.00

Source: Company data, National Bank, Concorde Capital estimates

Appendix – Disclosures

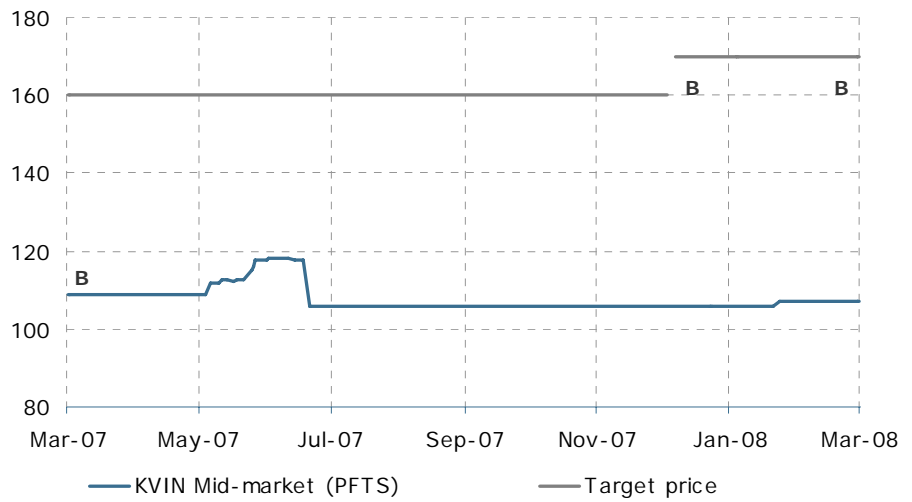
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Ekvin

Date	12M target price, USD	Market price, USD	Rating	Action
07-Mar-07	160	105	BUY	Initiating
11-Dec-07	170	105	BUY	Maintain
07-Mar-08	170	108	BUY	Maintain

Ekvin, USD per share



Investment Ratings

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Hold	28	26%
Sell	13	12%
Under Review	17	16%
Total	107	100%

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Sell	0	0%
Under Review	0	0%
Total	8	100%

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

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