



CONCORDE CAPITAL

Ukraine / Utilities

# Oblenergo privatization

CHEON sold, ODEN postponed

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Today Ukraine's State Property Fund sold a 25%+1 stake in Chernihivoblenergo (CHEON) for UAH 223.4 mln, 88% higher than the starting price. As with the Lvivoblenergo (LVON) auction last week, the same two local brokerages (Online Capital and Tekt-Trade) participated in the tender, though this time the winner was Online Capital. The relatively high price at today's tender raises the chances for successful privatization tenders for POON and PREN, which failed several times due to the absence of bidders.

The price was upped seven times during the auction, which indicates fierce competition for the stake and suggests that rival shareholders (Grigorishyn vs. Surkis and/or Kolomoiskiy) were behind the brokerage firms.

Unlike Lvivoblenergo, which was privatized at a price close to its mid-market price, **Chernihivoblenergo's final price was 97% higher than the stock's mid-market and 50% higher than the offer price on the PFTS.**

The final price-based EV/S multiple is 1.58, 2.3x higher than for Lvivoblenergo's privatization. Moreover, the multiple is 1.7x higher than the starting EV/S for Poltavaoblenergo's tender, which has failed to generate any bids in four attempts, and only 6% smaller than the starting EV/S for Prykarpatooblenergo.

**POON and PREN prices no longer look high.** A week ago Dmytro Parfenenko, acting head of the SPF, said he believed the failure to auction off stakes in PREN and POON was due to potential bidders waiting for the SPF to decrease the starting prices. Parfenenko, in an attempt to goad out bids, said that the SPF did not intend to cut the starting price. Today's auction demonstrated that the high price itself is not a barrier for the bidders. Now the SPF has a reason not to reduce its base prices, and we see probability of PREN and POON being auctioned off now this month as high.

The SPF also announced today that the privatization of Odesaoblenergo (ODEN), scheduled for May 19, was cancelled. The reason given was that the SPF had not received shares from the National Energy Company of Ukraine (the holder of all the state's stakes in Ukrainian electricity companies).

The cancellation of the tender means the SPF will be obligated to announce it again one month in advance, meaning that **Odesaoblenergo can be privatized no earlier than June 19, 2009.**

**We believe Odesaoblenergo will be privatized this summer** – there is a clear interest from both sides: the seller (SPF - to fill the budget) and buyer (VS Energy, the main candidate - to gain full control over the company).

## Tenders' summary

Company	Ticker	Stake for sale	Date of tender	Price per share, UAH	Price per stake, UAH mln	Implied EV/S <sup>08</sup>	Implied EV / El. Suppl <sup>08</sup> (USD/MWh)	Premium to mid-market	Premium to our target	Probability of success
Lvivoblenergo	LVON	26.98%	29-Apr-09	3.78*	197.8	0.68	32.7	10%	-53%	
Chernihivoblenergo	CHEON	25%+1	14-May-09	7.49*	223.4	1.58	76.4	97%	-17%	
Poltavaoblenergo	POON	25%+1	20-May-09	5.57**	307.7	1.02	60.0	99%	-9%	50%
Sumyoblenergo	SOEN	25%+1	22-May-09	2.90***	128.4	0.90	43.7	n/a	-54%	60%
Prykarpatooblenergo	PREN	25.02%	22-May-09	8.90**	230.9	1.67	76.5	154%	-19%	10%
Odesaoblenergo	ODEN	25.01%	? -Jun-09	3.70***	192.9	0.90	44.3	111%	-24%	80%
<b>GEM peers' market average</b>						<b>0.97</b>	<b>90.2</b>			

\* Tender price; \*\* Starting price announced by SPF; \*\*\* Expected starting price  
Source: SPF, PFTS, Concorde Capital estimates

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