



CONCORDE CAPITAL

Ukraine / Machinery

Railway Machinery

Output surges back to 2005-2008 level

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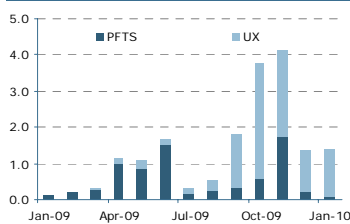
Company	Bloomberg
Kryukiv Wagon	KVBZ UK
Mariupol Heavy Machinery	MZVM UK
Azovzahalmash	AZGM UZ
Stakhaniv Wagon	SVGZ UK
Dniprovahonmash	DNVM UZ

Sector market information*

	MCap, USD mln	FF, % USD mln	FF, %
KVBZ	289.5	4.7%	13.6
SVGZ	105.4	12.0%	12.6
DNVM	104.0	2.0%	2.1
AZGM	85.2	3.5%	3.0
MZVM	54.0	15.7%	8.5

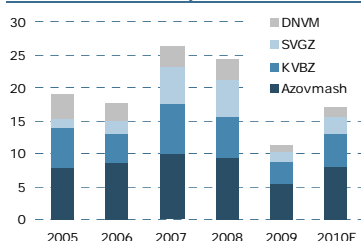
*Includes only covered stocks

Sector trading volumes, UAH mln



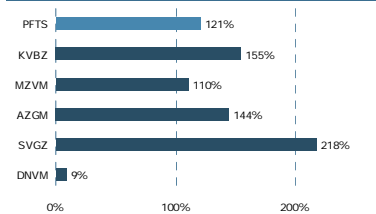
Source: UX, PFTS

Sector railcar output, ths units



Source: Metal Courier, Concorde Capital est.

Sector performance, 52wk



Source: PFTS

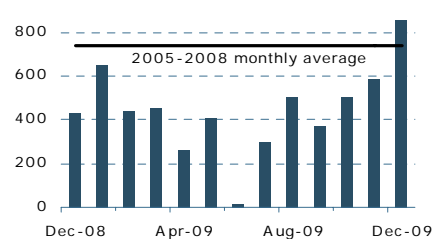
- **Ukrainian railcar makers beat their 2005-2008 monthly average output in December, according to data released this week. The recovery surpassed our expectations: we forecasted production to return to this level only in mid-2010**
- **We project railcar output growth at 21% CAGR in 2010-2015, backed by heavy replacement needs in the CIS and capital injections (see our December sector update)**
- **Sector stocks are still trading 50%-85% below their pre-crisis highs. We base our valuation on a conservative projection of demand in 2010 at only 70% of the 2008 level**
- **We reiterate BUY for Kryukiv Wagon (upside 39%) and speculative BUY for Mariupol Heavy Machinery (upside 119%), due to its parent company's high debt**

Valuation summary

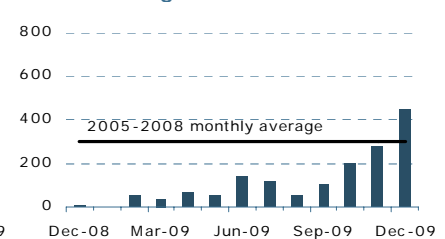
	Price USD	EV/S 2010E	EV/EBITDA 2010E	P/E 2010E	Target USD	Upside	Rec.
Kryukiv Wagon	2.52	0.94	6.7	10.1	3.5	39%	BUY
Mariupol Heavy Mach.	3.51	0.76	15.2	n/m	7.7	119%	Spec. BUY
Azovzahalmash	1.83	0.94	18.8	n/m	1.7	-7%	HOLD
Stakhaniv Wagon	0.44	1.40	11.7	29.4	0.26	-41%	SELL
Dniprovahonmash	6.25	1.97	19.7	n/m	2.2	-65%	SELL
Global peer median		0.98	8.1	18.2			

Source: Bloomberg, Concorde Capital

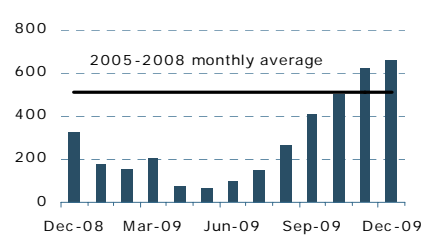
Monthly freight railcar output, units Azovmash



Stakhaniv Wagon

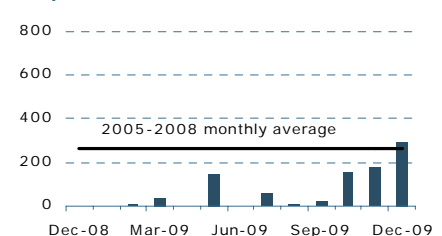


Kryukiv Wagon



Source: Metal Courier

Dniprovahonmash



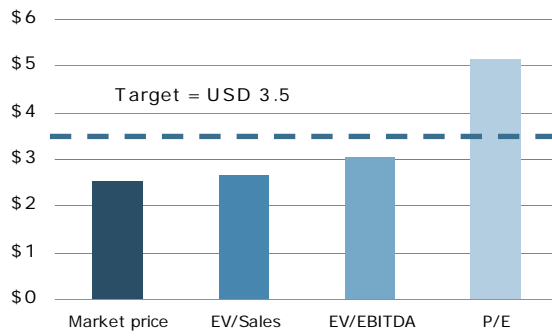
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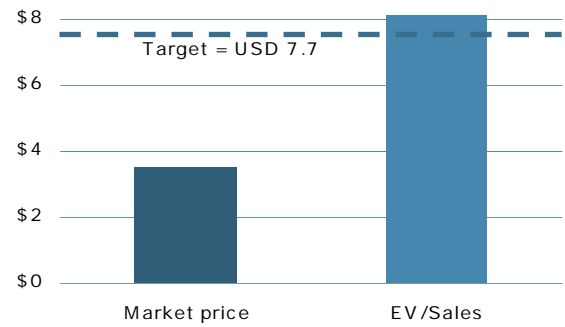
Valuation summary

KVBZ valuation



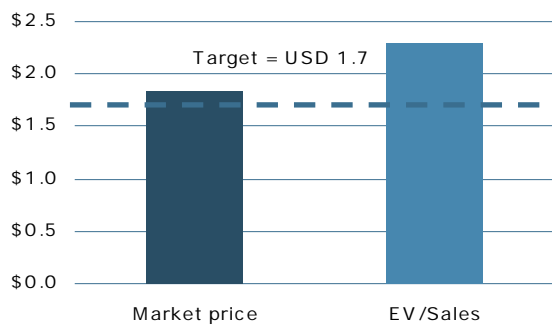
Note: Blue dashed line represents our target price
Source: Bloomberg, Concorde Capital calculation

MZVM valuation



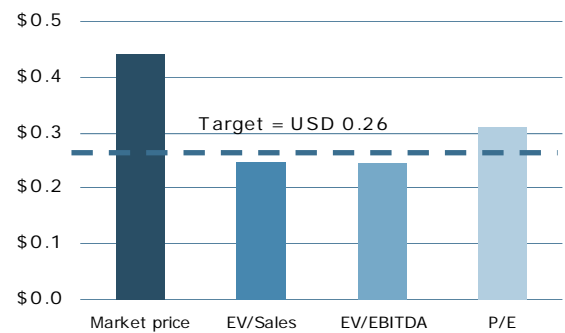
Note: Blue dashed line represents our target price
Source: Bloomberg, Concorde Capital calculation

AZGM valuation



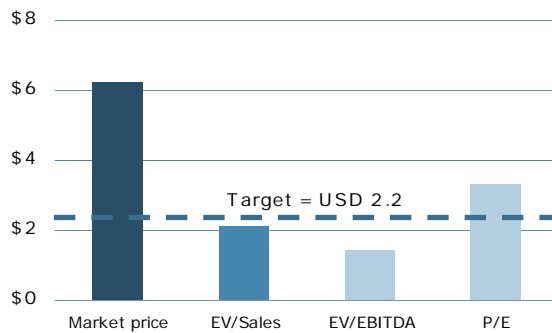
Note: Blue dashed line represents our target price
Source: Bloomberg, Concorde Capital calculation

SVGZ valuation



Note: Blue dashed line represents our target price
Source: Bloomberg, Concorde Capital calculation

DNVM valuation



Note: Blue dashed line represents our target price
Source: Bloomberg, Concorde Capital calculation

Railcar producers peer valuation

	Price	MCap	EV/Sales		EV/EBITDA		P/E	
	USD	USD mln	2009E	2010E	2009E	2010E	2009E	2010E
Kryukiv Wagon	2.52	290	1.30	0.94	18.6	6.7	39.8	10.1
Mariupol Heavy Machinery	3.51	54	1.07	0.76	53.3	15.2	n/m	n/m
Azovzahalbash	1.83	85	1.22	0.94	n/m	18.8	n/m	n/m
Stakhaniv Wagon	0.44	105	2.35	1.40	47.1	11.7	n/m	29.4
Dniprovahonmash	6.25	104	4.13	1.97	n/m	19.7	n/m	n/m
Average			2.01	1.20	39.7	14.4	39.8	19.7
Global peers			2009E	2010E	2009E	2010E	2009E	2010E
American Railcar Industries		226	0.35	0.54	3.6	5.6	49.5	n/m
Freightcar America		249	0.36	0.57	4.5	21.2	21.9	n/m
Greenbrier Companies		163	0.81	0.78	7.9	7.0	n/m	40.0
Trinity Industries		1,376	1.00	1.24	5.9	8.1	12.4	39.8
Const Y Auxiliar De Ferr		1,967	n/m	n/m	n/m	n/m	13.3	12.2
Kinki Sharyo Company Ltd		527	0.79	0.79	n/a	n/a	10.8	11.7
United Group		2,057	0.53	0.48	8.9	7.8	15.4	13.5
Nippon Sharyo Ltd		952	1.06	1.03	n/a	n/a	28.8	22.7
China Motor Corp		969	1.20	1.06	23.4	18.9	77.9	32.7
Jinxi Axle Company Ltd		556	2.43	2.04	28.5	20.3	46.9	34.7
Ioche Maxion		753	1.44	0.98	14.0	7.3	38.0	13.7
Taiyuan Heavy Industry		1,788	1.54	1.39	14.0	12.4	21.1	18.2
Peer median			1.00	0.98	8.9	8.1	21.9	18.2
KVBZ price, USD per share								
Implied by Global peer median			1.93	2.64	1.21	3.05	1.39	4.56
Upside/Downside to Developed avg			-23%	5%	-52%	21%	-45%	81%
MZVM price, USD per share								
Implied by Global peer median			2.29	9.21	-12.88	-5.73	-19.86	-4.56
Upside/Downside to Developed avg			-35%	162%	n/m	n/m	n/m	n/m
AZGM price, USD per share								
Implied by Global peer median			0.06	2.29	-7.98	-3.75	-8.36	-0.07
Upside/Downside to Developed avg			-95%	86%	n/m	n/m	n/m	n/m
SVGZ price, USD per share								
Implied by Global peer median			0.04	0.25	-0.12	0.24	-0.76	0.27
Upside/Downside to Developed avg			-91%	-47%	n/m	-48%	n/m	-41%
DNVM price, USD per share								
Implied by Global peer median			0.03	2.14	-2.10	1.41	-8.84	2.95
Upside/Downside to Developed avg			n/m	-66%	n/m	-77%	n/m	-53%

Source: Company data, Bloomberg, Concorde Capital

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