

Stakhaniv Wagon

Management confirms Czech casting acquisition talks

Notes from April 11 AGM

- Management told us they were in negotiations to acquire the casting production plant CKD Kutna Hora in the Czech Republic. We estimate the plant could satisfy up to half of Stakhaniv's need for large casting. The acquisition would increase independence from Russia's VTB Leasing, the primary supplier of Stakhaniv's casting
- Stakhaniv Wagon announced its 2010 financials according to Ukrainian Accounting Standards: net revenue and EBITDA grew by sixfold y-o-y to USD 363 mln and USD 37 mln respectively, while net income was USD 33 mln (vs. a net loss of USD 7 mln in 2009). The results were below our forecasts: net revenue by 4.7%, EBITDA by 23.2% and net income by 1.0%
- Shareholders voted against a dividend payout for 2010, directing income into CapEx and working capital
- Management announced plans to invest UAH 500 mln to increase capacity from 8,000 to 12,000 freight railcars p.a. in 2012 (output in 2010 was 7,434 units). The company is considering issuing local bonds to finance CapEx

Trading to resume tomorrow following dematerialization

Trading in Stakhaniv Wagon shares is scheduled to resume tomorrow, following the end of its legally mandated dematerialization procedure (transfer of shares from paper to electronic form) today. The stock has not been traded since March 1

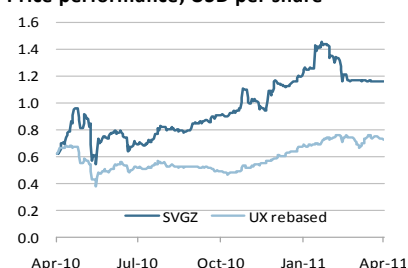
Valuation

We confirm our previous target price for Stakhaniv Wagon of USD 1.61 per share, with potential upside of 38% its last closing price on March 1

Report date	12 Apr 2011
Bloomberg	SVGZ UK
Reuters	SVGZ=UA
Recommendation	BUY
Price (01 Mar 11), USD	1.16
12M price target, USD	1.61
Upside	38.4%
No of shares, mln	143.3
Market Cap, USD mln	166.7
52-week performance	81.3%
52-week range, USD	0.556/1.44
ADT, 12M, USD mln	0.22
Free float, %	8.0
Free float, USD mln	13.3

Prices as of March 01, 2011

Price performance, USD per share



Source: Bloomberg, UX

Key financial and operating results

	2009	2010	y-o-y
Net revenue	USD 59 mln	USD 363 mln	520%
EBITDA	USD 6 mln	USD 37 mln	566%
EBITDA margin	9%	10%	1 pp
Net income	USD -7 mln	USD 33 mln	-
Net income margin	neg.	9%	-
Gondola cars output	1,084 units	7,134 units	558%
Hoppers output	360 units	300 units	-17%
Platforms output	100 units	0 units	-100%

Source: Company data

Contacts

CONCORDE CAPITAL

2 Mechnikova Street, 16th Floor
 Parus Business Centre
 Kyiv 01601, Ukraine
 Tel.: +380 44 391 5577
 Fax: +380 44 391 5571
 www.concorde.ua
 Bloomberg: TYPE CONR <GO>

CEO

Igor Mazepa

im@concorde.com.ua

SALES

International Sales & Trading

Anastasiya Nazarenko an@concorde.com.ua
 Marina Martirosyan mm@concorde.com.ua
 Rostyslav Shmanenko rs@concorde.com.ua
 Dasha Vasilieva vd@concorde.com.ua

Domestic Sales & Trading

Alisa Tykhomirova at@concorde.com.ua

RESEARCH

Director of Research

Andriy Gerus ga@concorde.com.ua

Utilities, Agriculture, Consumer

Yegor Samusenko syg@concorde.com.ua

Basic materials

Andriy Gerus ga@concorde.com.ua

Energy, Chemicals

Antonina Davydenko ada@concorde.com.ua

Industrial Machinery

Vitaly Gorovoy vg@concorde.com.ua

Fixed income

Andriy Gerus ga@concorde.com.ua

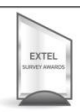
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Brad Wells bw@concorde.com.ua

Editor

Brad Wells bw@concorde.com.ua

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