



CONCORDE CAPITAL

Ukraine / Real Estate

# TKS Management

Corporate breakthrough

March 06, 2008

Current price: EUR 14.75/ USD 22.59  
12M Target: EUR 17.83/ USD 27.33

**BUY**

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## Tickers

Bloomberg 37W1 GR

## Market information

Market price, EUR /DR	14.7
USD /DR	22.6
MCap, EUR mln	132.8
USD mln	203.4
Chg YTD	-0.4%
52 Wk H/L, EUR	14.99/13.28
USD	22.96/20.34

DR/ Ord. ratio	2:1
No of shares, mln	4.5
Avg M Tr Vol 6M, EUR ths	12.7
USD ths	19.4
Free float	22%
Free float, EUR mln	29.2
USD mln	44.7

Prices as of Mar 05, 2008

## Shareholders

Strikewell Investments Limited*	78%
Other	22%

\* The key beneficiaries of Strikewell Investments Limited are two individuals: Ivan Torsky and Igor Balenko

Today we learned from a conversation with TKS CEO and co-founder Ivan Torsky that former partner Volodymyr Hovirko has agreed to sell his stake in TKS to Ihor Balenko, the controlling owner of the Furshet retail chain. At the same time, Torsky confirmed that he would continue to hold the post of CEO. We view this change in shareholders as strongly positive and restore our BUY recommendation. Our target price is reinstated at USD 27.33, implying 21% upside.

## A favorable scenario playing out?

According to Torsky, Hovirko and himself recently signed an agreement to change TKS's ownership. Ihor Balenko, majority shareholder of the Furshet retail chain, will acquire Hovirko's 38% stake in TKS. Sale of the stake to a third-party investor was one of the likely scenarios we outlined in our flash note from February 21, 2008.

Bringing in Balenko as a large shareholder will definitely benefit TKS. Furshet supermarkets are among the key anchor tenants at TKS's shopping centers. The Furshet retail chain is third largest in Ukraine after a domestic operator Fozzy Group and multinational Metro Group in terms of turnover, operating 86 stores across Ukraine and in Moldova. We think that TKS's expansion should be positively affected by Furshet's strong footprint.

In addition, we see now more opportunities for TKS to enhance its cooperation with Auchan Group, as Auchan has partnered with Furshet to establish JVs to develop shopping and entertainment centers in Ukraine and has arranged to purchase a 20% stake in Furshet. Currently TKS and Auchan are jointly developing a shopping mall in Lviv, the first of its kind in the city.

Lastly, Furshet's successful cooperation with international institutions such as the EBRD (USD 90 mln loan agreement signed in December 2007), which is a minority shareholder in Furshet's holding company Anthousa Ltd, should provide TKS with access to cheap credit financing.

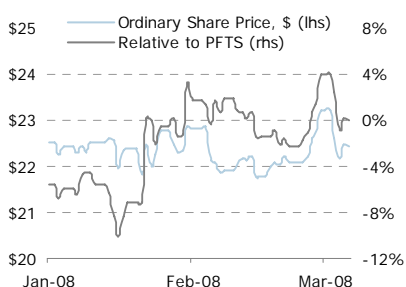
## Supervisory board creation improves corporate governance

At the company's AGM on Feb. 27, 2008, representatives of major shareholders, minorities, and the company's management were appointed to TKS's supervisory board. An independent representative, Yurii Zastavnyy, was elected head of the supervisory board. For nine years, Zastavnyy was a financial director at Syngenta (Switzerland) in Ukraine.

## BUY reinstated

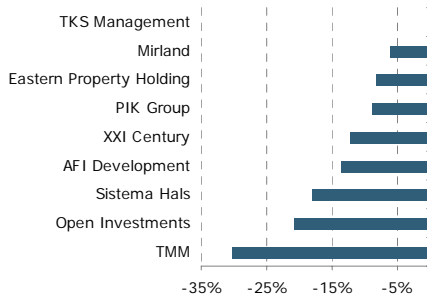
Based on the positive news of the change in TKS's ownership, as well as on information that Torsky has resumed his full gamut of responsibilities as CEO, we reinstate our BUY recommendation on the stock and target price of USD 27.33 per DR.

## Stock performance



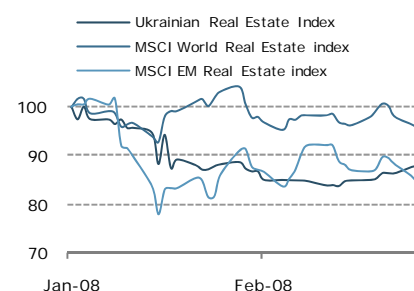
Source: Bloomberg, PFTS

## Sector performance, YTD



Source: Bloomberg

## Real estate indices



Ukrainian Real Estate Index is MCap-weighted and includes XXI Century, TMM and DUPD

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