



CONCORDE CAPITAL

Ukraine / Real Estate

TMM Real Estate Development

Presales grow 2.5 times in 1H08

August 08, 2008

Current price: USD 12.1 / EUR 7.8
12M Target: USD 29.6 / EUR 18.4

BUY

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Tickers

GDR (Frankfurt/Xetra) TR61

Market information

Market price, EUR	7.77
USD	12.01
MCap, EUR mln	402.5
USD mln	622.3
Chg YTD	-49%
Hi/Lo YTD, EUR	15.30/12.01
USD	24.09/12.01
DRs per common share	1:1
No of shares, mln	51.8
Avg Mon Tr Vol YTD, USD mln	0.332
Free float	13.1%
Free float, EUR mln	52.78
USD mln	81.6

Prices as of Aug. 7, 2008

Corporate Governance

Concorde Rating* Q

* The rating is based on Concorde Capital's corporate governance survey. Q denotes quality corporate governance standards, AA - above average standards, A - average, BA - below average and P - poor.

Shareholders

Mr. Tolmachov	70.4%
Management	16.5%
Portfolio investors	13.1%

This week, TMM announced that in 1H08 it boosted presales 2.5 times yoy, to USD 39.0 mln. The company also published its IFRS 2007 financials, posting sales of USD 60.8 mln and OEBITDA* of USD 9.1 mln. Last year, TMM commissioned five residential projects and recorded respective sales, while another two properties initially planned for 2007, will be launched this year. Overall, in 2008 TMM plans to commission eight properties, with the largest one, **Triumph**, already launched in July. We leave the stock's 12-month target price at USD 29.6 per share, implying a 145% upside. **BUY**

IFRS 2007 financials released; portion of sales shifted into 2008

This week TMM released its 2007 IFRS financials audited by KPMG. The company's 2007 sales totaled USD 60.8 mln and OEBITDA amounted to USD 9.1 mln. Last year, the company recognized revenues from commissioning five residential properties, rental income from two commercial properties and construction contract sales. TMM's sales came 26% lower than we projected and OEBITDA margin was 15% vs. our forecast of 24%. This was mainly due to the rescheduling of the launch of two Kharkiv projects, Flamingo and Cascade, from 2007 to 2008, and postponement of apartment sales in another Kharkiv-based project, Atoll, to 2008. TMM told us they resolved all the issues that caused the two projects' delays and the respective revenues will be recognized this year.

Residential presales grow 147% in 1H08

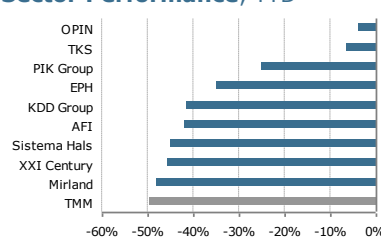
TMM's presales of residential property in 1H08 reached USD 39.0 mln (20.8 ths m² in terms of area) - 147% increase y-o-y (2x increase in terms of floor plate). The company's presales remained immune to the tightening in Ukraine's mortgage market. We explain this by the fact that TMM operates primarily in business and premium class segments and the company's client base is affluent enough to pay for the apartments from their savings and incomes without taking bank credits.

*OEBITDA is Operating EBITDA defined as EBITDA adjusted for revaluation gains

Stock performance, 12M



Sector Performance, YTD



Real estate indices



Source: Bloomberg, PFTS. Note: Ukrainian Real Estate Index is MCap-weighted; includes XXI Century, TMM, DUPD

Key financials & ratios, USD mln

	Revenue	EBITDA	Net Income	Book Value	Debt/Equity
2006	96	18	23	107	0.3
2007	61	9	13	230	0.3
2008F	183	93	69	277	0.6
2009F	207	113	81	359	0.5

Financial Statements, IFRS

Income Statement Summary, USD mln

	2006	2007E	2007	2008F	2009F	2010F
Net Revenues	96	82	61	183	207	404
Cost Of Sales	(67)	(56)	(42)	(82)	(85)	(134)
Gross Profit	29	26	19	102	122	270
Other Operating Income/Costs. net				-	-	-
SG&A	(9)	(7)	(10)	(9)	(8)	(8)
EBITDA	18	20	9	93	113	262
<i>EBITDA margin. %</i>	<i>19.1%</i>	<i>24.0%</i>	<i>15.0%</i>	<i>50.6%</i>	<i>54.8%</i>	<i>64.8%</i>
Depreciation	(1)	(3)	(1)	(5)	(6)	(6)
EBIT	17	17	8	88	108	256
<i>EBIT margin. %</i>	<i>17.7%</i>	<i>20.1%</i>	<i>13.5%</i>	<i>47.8%</i>	<i>52.1%</i>	<i>63.4%</i>
Interest Expense	(1)	(13)	(2)	(18)	(24)	(12)
Financial income	-	-	2	-	-	-
Other income/(expense)	14	20	18	5	4	33
PBT	30	24	26	74	88	277
Tax	(7)	(6)	(13)	(5)	(6)	(19)
Net Income	23	18	13	69	81	257
<i>Net Margin. %</i>	<i>23.7%</i>	<i>21.8%</i>	<i>20.6%</i>	<i>37.6%</i>	<i>39.4%</i>	<i>63.8%</i>

Balance Sheet Summary, USD mln

	2006	2007E	2007	2008F	2009F	2010F
Current Assets	123	310	255	422	669	902
Cash & Equivalents	1	113	17	4	3	4
Trade Receivables	27	53	21	55	52	57
Inventories	78	130	162	351	580	780
Other current assets	45	14	55	12	35	61
Fixed Assets	153	198	197	267	387	550
PP&E, net	77	106	141	109	106	104
Investment Property and Other	77	92	56	158	280	446
Total Assets	276	508	452	689	1 056	1 451
Shareholders' Equity	107	225	230	277	359	457
Share Capital	3	167	104	105	105	105
Reserves and Other	104	58	126	173	254	352
Current Liabilities	124	166	181	212	496	950
ST Interest Bearing Debt	9	24	70	18	21	16
Trade Payables	47	22	16	28	31	32
Other Current Liabilities	115	120	95	166	445	901
LT Liabilities	45	118	41	200	201	45
LT Interest Bearing Debt	26	112	3	160	161	3
Other LT	19	6	38	40	40	42
Total Liabilities & Equity	276	508	452	689	1 056	1 451

Cash Flow Statement Summary, USD mln

	2006	2007E	2007	2008F	2009F	2010F
Net Income	23	18	13	69	81	257
D&A	1	3	1	5	6	6
Non-operating and non-cash items	(6)	(60)	(12)	(32)	(6)	(34)
Changes in working capital	6	(49)	(79)	(101)	34	227
Operating Cash Flow	24	(88)	(77)	(59)	114	456
Capital Expenditures, net	(40)	(2)	(15)	(58)	(119)	(133)
Other Investments, net	(3)	-	(25)	-	-	-
Investing Cash Flow	(43)	(2)	(40)	(58)	(119)	(133)
Net Borrowings/(repayments)	10	101	32	104	3	(163)
Dividends Paid	-	-	-	-	-	(160)
Equity Financing & Other	(1)	100	101	-	-	-
Financing Cash Flow	10	201	133	104	3	(322)
Beginning Cash Balance	10	1	1	17	4	3
Ending Cash Balance	1	113	17	4	3	4
Net Cash Inflows/Outflows	(9)	111	17	(14)	(1)	1

UAH/USD Exchange Rates

	2006	2007E	2007	2008F	2009F	2010F
Average	5.05	5.05	5.05	4.99	4.95	4.95
Year-end	5.05	5.05	5.05	4.95	4.95	4.95

Source: Company data, KPMG, Concorde Capital estimates

Appendix - Disclosures

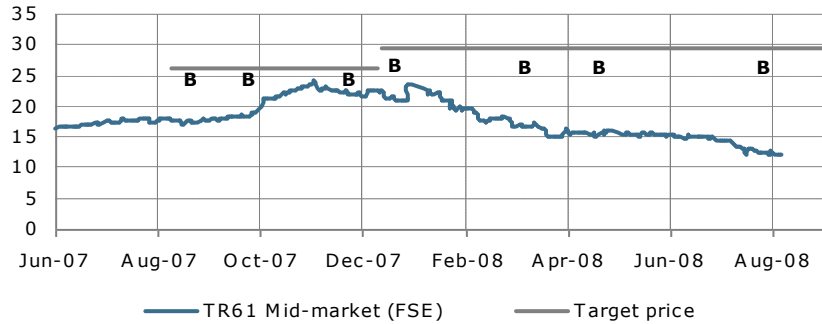
Analyst certification

We, Andriy Gostik and Alexander Romanov, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject securities and issuers. We also certify that no part of our compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

TR61 GR ratings history

Date	Target price, USD	Market Price, USD	Rating	Action
09-Aug-07	26.0	17.7	BUY	Initiating
25-Sep-07	26.0	18.3	BUY	Maintain
05-Oct-07	26.0	21.6	BUY	Maintain
12-Dec-07	29.6	22.5	BUY	Maintain
03-Apr-08	29.6	15.3	BUY	Maintain
13-May-08	29.6	15.3	BUY	Maintain
08-Aug-08	29.6	12.1	BUY	Maintain

Target price history, USD per share



Investment Ratings

The time horizon for target prices in Concorde Capital's research is 12 months unless otherwise stated. Concorde Capital employs three basic investment ratings: Buy, Hold and Sell. Typically, Buy recommendation is associated with an upside of 15% or more from the current market price; Sell is prompted by downside from the current market price (upside <0%); Hold recommendation is generally for limited upside within 15%. Though investment ratings are generally induced by the magnitude of upside, they are not derived on this basis alone. In certain cases, an analyst may have reasons to establish a recommendation where the associated range given above does not correspond. Temporary discrepancies between an investment rating and its upside at a specific point in time due to price movement and/or volatility will be permitted; Concorde Capital may revise an investment rating at its discretion. A recommendation and/or target price might be placed Under Review when impelled by corporate events, changes in finances or operations. Investors should base decisions to Buy, Hold or Sell a stock on the complete information regarding the analyst's views in the research report and on their individual investment objectives and circumstances.

Concorde Capital ratings distribution

Buy	80	70%
Hold	19	17%
Sell	7	6%
Under Review	8	7%
Total	114	100%

Investment banking clients*

Buy	7	100%
Hold	0	0%
Sell	0	0%
Under Review	0	0%
Total	7	100%

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

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