



CONCORDE CAPITAL

Ukraine / Real Estate

# KDD, TMM, XXI Century

Keep your fingers on

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## XXI Century Investments

Recommendation	U/R
Bloomberg ticker	XXIC LN
Market price, USD	0.79
MCap, USD mln	30.3
Chg YTD	-97%
No of shares, mln	38.3
Free float	37.4%
Free float, USD mln	11.4
Avg Mon Tr Vol YTD, USD mln	45.1
<i>Shareholders</i>	
Mr. Partskhaladze	53.2%
Management	9.4%
Portfolio investors	37.4%

## TMM Real Estate Development

Recommendation	Buy
Bloomberg ticker	TR61 GR
Market price, USD	1.32
MCap, USD mln	68.5
Chg YTD	-94%
No of shares, mln	51.8
Free float	13.1%
Free float, USD mln	9.0
Avg Mon Tr Vol YTD, USD mln	0.402
<i>Shareholders</i>	
Mr. Tolmachov	70.4%
Management	16.5%
Portfolio investors	13.1%

## KDD Group

Recommendation	N/R
Bloomberg ticker	KDDG LN
Market price, USD	0.21
MCap, USD mln	33.8
Chg YTD	-95%
No of shares, mln	162.7
Free float	23%
Free float, USD mln	7.8
Avg Mon Tr Vol YTD, USD mln	0.914
<i>Shareholders</i>	
Group of seven individuals	77.1%
Portfolio investors	22.9%

Prices as of October 24, 2008

- KDD, TMM and XXI Century's latest portfolio valuations (as of June 2008) are now available; overall, NAVs are little changed from last year
- Rather than in the past, when NAV was the chief concern, we see investors' keyed in on Ukraine's economy and developers' solvency
- We do not advise exiting stock positions in Ukrainian real estate developers at current price levels, which we deem unjustifiably low

## Updated portfolio values little changed

With the release of TMM's updated portfolio valuation last week, data on the latest NAVs for all three of Ukraine's largest public developers are now available.

Company	Valuation, USD mln		Change	
	June 2007	June 2008	USD mln	%
KDD Group	908.2	1074.1	165.9	18%
TMM Real Estate Development	1468.1	1494.0	25.9	2%
XXI Century Investments	2049.1	2178.6	129.5	6%

Source: Company data

New portfolio valuations changed immaterially from last year. The main reason, in our view, is the companies' new focus on the development of existing projects with near-term cash generation potential, rather than portfolio enlargement, as a direct result of the global liquidity crunch.

## Ukraine's economy and developers' solvency are the real questions

In the current setting, particularly with domestic property stocks now down 92-97% YTD, we note that news related to portfolio valuations and regular operating activities are largely being ignored by portfolio investors with exposure to real estate. Instead, we see concern keyed into: 1) Ukraine's macroeconomic development into 2009-2010 and 2) the viability of developers, given their overexposure to financing risks.

## Who will stay and who will go?

While our view on Ukraine's economic prospects is cautiously optimistic, our analysis of developers' creditworthiness (see page 2) shows that:

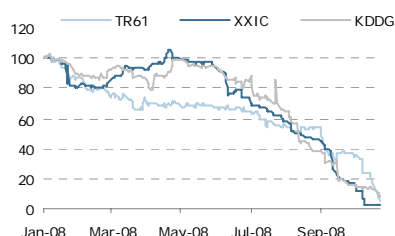
- KDD Group and TMM are relatively safe in terms of credit risk exposure
- Conversely, XXI Century faces default risk due to the expected exercising of the put option on its Eurobonds in May 2009, it is looking increasingly like an acquisition target

## Prices are below liquidation values; we recommend keeping positions

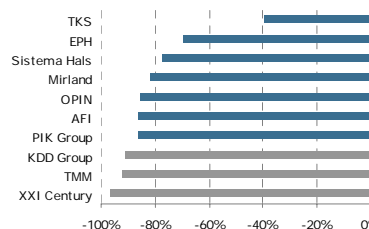
We do not advise exiting Ukrainian real estate stock positions at current price levels, which we deem unjustifiably low. All three companies are currently trading at 70%-80% discounts even to their estimated liquidation values (see page 2), let alone fair value.

While we see Ukraine's property market in the mid to long-term as exceptionally attractive, in our view, the current period of depressed valuations and turbulence in the market could last another one to two years. Thus we recommend to HOLD real estate stock in short-term while leave our recommendations unchanged for long-term investors.

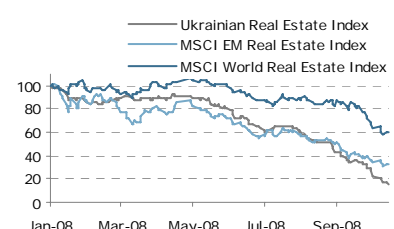
## Stock performance, YTD



## Sector Performance, YTD



## Real estate indices, YTD



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

**Debt redemption schedule, USD mln**

	Debt		Redemption schedule				
	1H08	2H08	2009F	2010F	2011F	2012F	2013F
KDD Group	17	(1)				(16)	
TMM Real Estate Development	106	(11)	(45)	(8)	(40)	(2)	(1)
XXI Century Investments	262	(4)	(203)	(4)	(36)	(15)	

Source: Company data, Concorde Capital estimates

**KDD Group** has the smallest amount of debt among the three. At end-1H08, its debt amounted to USD 17 mln and it possessed unutilized cash proceeds of USD 78 mln from its placement.

**TMM** is the only public developer with positive operating EBITDA (USD 37 mln for 1H08, UAS accounts), which has allowed the company to sustainably serve its debt. We expect that redemption of its USD 37 mln in local bonds scheduled for 2009 will be restructured, just like when the company negotiated no execution for the put option this October at a cost of increasing the coupon rate from 13% to 16.5%.

**XXI Century** is the most exposed to liquidity risk, in our view. We expect most of company's USD 175 mln Eurobonds holders, having a coupon payment of only 10%, are apt to exercise the put option due in May 2009. As XXI Century does not currently possess the necessary amount for redemption, the company becomes an apparent acquisition target.

**Price vs. liquidation value, USD mln**

	Shareholders' value	Liquidation value*	Current MCap	Discount %
KDD Group	614.9	154.4	33.8	-78%
TMM Real Estate Development	230.1	230.1	68.5	-70%
XXI Century Investments	2009.8	148.4	30.3	-80%

\* Assets (uncompleted developments accounted for using a cost method) net the company's debt

Source: Company data, Concorde Capital estimates

## 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	90	74%
Hold	18	15%
Sell	7	6%
Under Review	7	6%
<b>Total</b>	<b>122</b>	<b>100%</b>

### Investment banking clients\*

Buy	7	100%
Hold	0	0%
Sell	0	0%
Under Review	0	0%
<b>Total</b>	<b>7</b>	<b>100%</b>

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

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