



CONCORDE CAPITAL

Ukraine / Real Estate

TMM Real Estate Development

2006 IFRS Financials Released

September 25, 2007

Current price: USD 18.32
12M Target: USD 26.04

BUY

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Market information

Frankfurt/ XETRA	TR61 GR
Market price, USD	18.32
Chg YTD	13%
Hi/Lo YTD, USD	18.52/15.70
MCap, USD mln	959.5
No of shares, mln	51.8
Avg Mo Tr Vol YTD, USD mln	0.29
Free float	13.12%
Free float, USD mln	125.9

Stock ownership

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

- Yesterday TMM Real Estate Development released IFRS 2006 financials audited by KPMG
 - Sales are up nearly 2.5 times in 2006 to USD 95.8 mln
 - EBITDA margin is 19.1%
 - Net margin is 24.0%
- We stick to our previous 2007 and 2008 projections
- Valuation remains unchanged
- Current upside is 42%. **BUY**

TMM posts a 144% increase in 2006 IFRS sales

TMM's sales last year were 18.9% higher than we estimated at USD 95.8 mln, up 144.4% yoy. We attribute this to higher than expected revenues from construction contracts, which made up 61% of total revenues. Based on TMM's plans to use in-house construction capacities only for their own projects, we do not forecast revenues from construction contracts in future periods and stick to our previous sales forecasts for 2007 and 2008 of USD 82.2 mln and USD 156.5 mln, respectively.

Gross and EBITDA margins above expectations

Bolstered by the sales growth, TMM's gross profit leapt up 365.9% yoy, to USD 29.1 mln, 64.0% more than our estimate. Gross margin was 30.3% vs. 15.9% in 2005, significantly higher than our forecast of 22.0%. By the same token, reported EBITDA was 51.1% above our projections, at USD 18.3 mln, and EBITDA margin was 19.1% vs. our estimate of 15.0%.

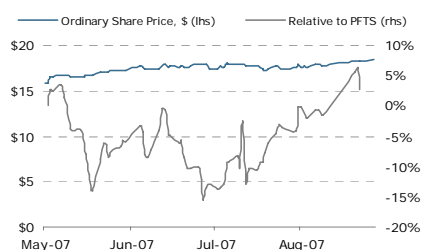
Net income as projected

Reported net earnings were largely in line with our projections, at USD 22.7 mln, 4.5% more than we forecasted. Net margin amounted to a healthy 24.0% and was higher than EBITDA margin due to the addition of a non-cash item, revaluation gain. The gain was smaller than we projected making net earnings grow slower than EBITDA.

BUY recommendation confirmed

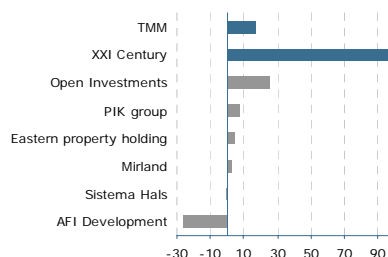
Our 12M target price remains the same at USD 26.04 per share in anticipation of the upcoming release of the company's portfolio valuation by Colliers. Implied upside is 42%, which warrants a BUY recommendation.

Stock performance



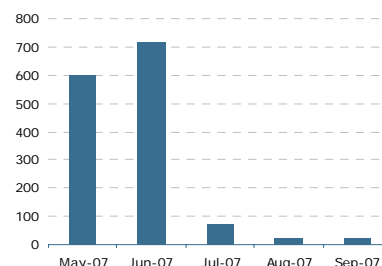
Source: Bloomberg, PFTS

Sector performance YTD*



*TMM and AFI Development were listed in May 2007, PIK Group was listed in June 2007
Source: Bloomberg

Trading volumes, USD ths, monthly



Key financials & ratios

(in USD mln)	Revenue	EBITDA	Net Income	Book Value	Debt/Equity
2006	96	18	23	107	0.3
2007E	82	20	18	225	0.6
2008E	157	85	81	308	0.4
2009E	201	113	116	424	0.1

Spot exchange rate: 5.05

Financial Statements, IFRS

Income Statement Summary, USD mln

	2005	2006	2007E	2008F	2009F	2010F	2011F	2012F
Net Revenues	39	96	82	157	201	470	560	669
Cost Of Sales	(33)	(67)	(56)	(63)	(80)	(191)	(205)	(260)
Gross Profit	6	29	26	94	121	280	355	408
Other Operating Income/Costs. net								
SG&A	(6)	(9)	(7)	(9)	(9)	(11)	(9)	(6)
EBITDA	1	18	20	85	113	269	346	402
EBITDA margin. %	3.0%	19.1%	24.0%	54.0%	55.9%	57.2%	61.7%	60.1%
Depreciation	(0)	(1)	(3)	(3)	(3)	(4)	(4)	(4)
EBIT	1	17	17	81	109	265	342	398
EBIT margin. %	1.9%	17.7%	20.1%	51.9%	54.2%	56.4%	61.1%	59.6%
Interest Expense	(0)	(1)	(13)	(16)	(9)	(4)	(5)	(5)
Financial income	0	-	-	-	-	-	-	-
Other income/(expense)	9	14	20	32	33	24	31	45
PBT	10	30	24	97	133	286	368	437
Tax	(3)	(7)	(6)	(16)	(17)	(18)	(24)	(27)
Net Income	6	23	18	81	116	268	344	410
Net Margin. %	16.5%	23.7%	21.8%	51.4%	57.9%	56.9%	61.5%	61.3%

Balance Sheet Summary, USD mln

	2005	2006	2007E	2008F	2009F	2010F	2011F	2012F
Current Assets	117	123	310	375	773	891	1 070	1 173
Cash & Equivalents	10	1	113	51	166	36	28	33
Trade Receivables	45	27	53	55	70	71	84	100
Inventories	51	78	130	250	517	738	902	973
Other current assets	11	18	14	19	20	47	56	67
Fixed Assets	72	153	198	239	220	262	301	325
PP&E, net	45	77	106	107	106	107	109	110
Other Fixed Assets	26	77	92	132	115	155	192	215
Total Assets	189	276	508	615	994	1 153	1 371	1 499
Shareholders' Equity	66	107	225	308	424	424	442	585
Share Capital	67	67	167	169	169	169	169	169
Reserves and Other	(0)	40	58	140	256	256	273	417
Current Liabilities	105	124	166	176	524	683	789	746
ST Interest Bearing Debt	10	9	24	10	10	24	28	33
Trade Payables	24	47	22	25	20	57	62	47
Accrued Wages	-	-	-	-	-	-	-	-
Accrued Taxes	1	0	-	-	-	-	-	-
Other Current Liabilities	70	68	120	141	494	602	699	666
LT Liabilities	18	45	118	130	45	45	140	167
LT Interest Bearing Debt	14	26	112	113	18	18	18	18
Other LT	4	19	6	17	27	27	27	27
Total Liabilities & Equity	189	276	508	615	994	1 153	1 371	1 499

Cash Flow Statement Summary, USD mln

	2005	2006E	2007E	2008F	2009F	2010F	2011F	2012F
Net Income	6	23	18	81	116	268	344	410
D&A	0	1	3	3	3	4	4	4
Non-operating and non-cash items	(12)	(6)	(60)	(27)	28	(41)	58	4
Changes in working capital	16	6	(49)	(102)	65	(102)	(86)	(146)
Operating Cash Flow	11	24	(88)	(45)	212	128	321	271
Capital Expenditures, net	(6)	(40)	(2)	(4)	(2)	(5)	(6)	(5)
Other Investments, net	(3)	(3)	-	-	-	-	-	-
Investing Cash Flow	(9)	(43)	(2)	(4)	(2)	(5)	(6)	(5)
Net Borrowings/(repayments)	4	10	101	(14)	(95)	13	4	5
Dividends Paid	-	-	-	-	-	(268)	(327)	(266)
Equity Financing & Other	1	(1)	100	-	-	-	-	-
Financing Cash Flow	5	10	201	(14)	(95)	(254)	(323)	(261)
Beginning Cash Balance	1	10	1	113	51	166	36	28
Ending Cash Balance	10	1	113	51	166	36	28	33
Exchange Rate Impact	(2)	0	-	(1)	-	-	-	-
Net Cash Inflows/Outflows	7	(9)	111	(62)	115	(130)	(8)	5

UAH/USD Exchange Rates

	2005	2006	2007E	2008F	2009F	2010F	2011F	2012F
Average	5.12	5.05	5.05	5.03	5.00	5.00	5.00	5.00
Year-end	5.05	5.05	5.05	5.00	5.00	5.00	5.00	5.00

Source: Company data, Concorde Capital estimates

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