



CONCORDE CAPITAL

Ukraine / Real Estate

# XXI Century Investments

Properties sale started

August 18, 2008

Current price: USD 13.8 / EUR 7.4  
12M Target: USD 37.2 / EUR 18.4

**BUY**

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### Tickers

LSE AIM XXIC

### Market information

Market price, GBP	7.4
USD	13.8
MCap, GBP mln	276.32
USD mln	515.27
Chg YTD	-49%
Hi/Lo YTD, GBP	15.23/7.4
USD	30.15/13.8
No of shares, mln	37.3
Avg Mon Tr Vol YTD, USD mln	14.3
Free float	37.4%
Free float, GBP mln	103.3
USD mln	192.7

Prices as of Aug. 15, 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. Partskhaladze	53.2%
Management	9.4%
Portfolio investors	37.4%

Last week, XXI Century announced that it signed a non-binding head of terms with an undisclosed European developer for the sale of its logistics portfolio and agreed upon the sale of its small Kobzar business center in Kharkiv. We view the asset sale as positive for the company given its heavy cash needs. We leave the stock's 12M target price at USD 37.2 per share, implying a 270% upside. **BUY**.

### XXI Century sells off logistics developments, office center in Kharkiv

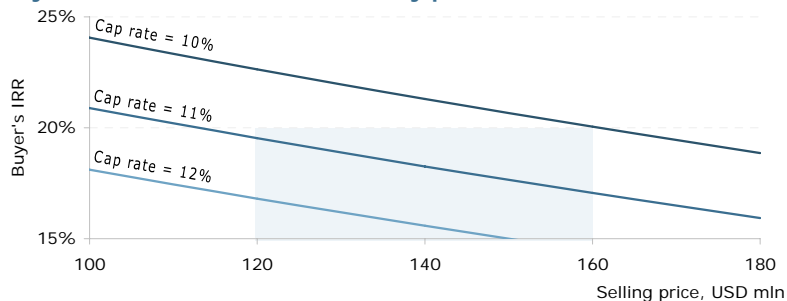
Last week, the company announced that it signed a non-binding head of terms agreement with a European developer to sell its logistics property portfolio. The buyer's name and other terms of the deal have not yet been disclosed. According to the company's management, due diligence is expected to be completed within two months. XXI Century is obliged to provide all necessary construction permits before the handover. The company will receive separate cash tranches for each project, expected by end-2008 - early 2009.

In related news, the company announced last week that it also concluded an agreement to sell its Kobzar business center in Kharkiv to anchor tenants for USD 14 mln. The latter deal will be settled via a series of cash payments over a six month period with the final payment due prior to February 2009.

### Logistics projects will likely be sold below NAV

XXI Century intends to sell the logistics projects at a price "close to NAV." We estimate that the buyer would demand an IRR of at least 20%, which implies a ceiling for the selling price of USD 160 mln (assuming a yield of 10% upon exit in 2012, one year after the projects' completion). Tight conditions on capital markets give the buyer additional bargaining power, in our view.

### Buyer's IRR over 2008-12 vs. entry price

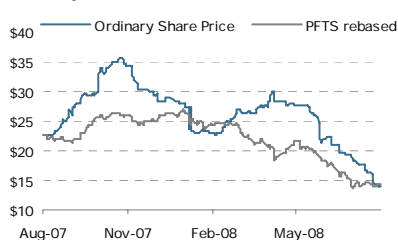


Source: Concorde Capital estimates

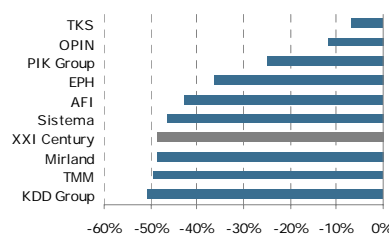
### Cash position will improve; BUY reiterated

We see the disposal of XXI Century's logistics arm as a positive development for the company. The heavy capital requirements of XXI Century's portfolio of USD 2.5 bln for 2008-09 pointed toward the sale of some projects (see our December 2007 report). The sale of its logistic developments will allow XXI Century to beef up its cash position and at the same time significantly reduce capital requirements for 2008-10 (by approx. USD 600 mln). We reiterate our BUY recommendation, supported by an extremely low current P/NAV of 0.2.

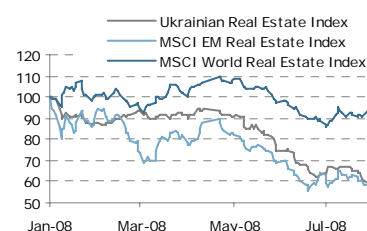
### Stock performance, 12M



### Sector Performance, YTD



### Real estate indices



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

## Appendix

### Logistics portfolio: 7 landplots

XXI Century's logistics portfolio is comprised of seven projects in different stages of development with a total area of ~900 ths m<sup>2</sup> and appraiser's value of USD 178 mln (~8% of the company's total portfolio value).

Project name	Location	Stage	Total area m <sup>2</sup>	Benef. share	NAV <sup>*</sup> USD mln
Vasykiv logistics	Kyiv region	under constr.	154 300	100%	48.3
Zhytomyr highway logistics	Kyiv region	under dev.	116 100	100%	28.0
Odesa logistics	Odesa	under dev.	94 900	100%	28.2
Dnipropetrovsk logistics	Dnipropetrovsk	under dev.	223 300	100%	31.4
Vyshhorod logistics	Kyiv region	held for dev.	109 200	99%	15.6
Simferopol logistics	Simferopol	held for dev.	86 100	100%	15.4
Kharkiv-Pisochyn logistics	Kharkiv	held for dev.	115 400	50%	11.0
<b>Total</b>			<b>899 300</b>		<b>177.9</b>

<sup>\*</sup> NAV is the company's beneficial share of the project value reported by Jones Lang LaSalle as of December 31, 2007

Source: Company data

# Disclosures

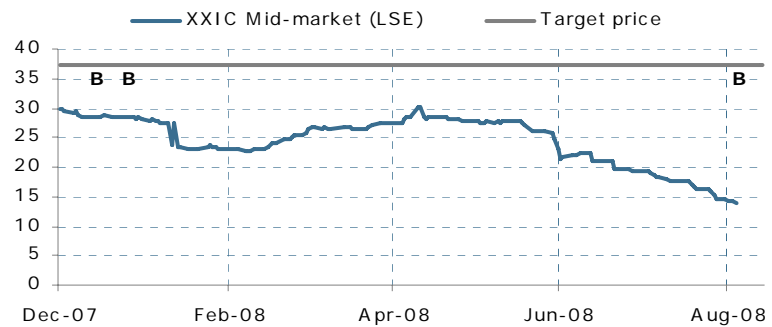
## Analyst certification

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.

### XXIC LN ratings history

Date	Target price, USD	Market Price, USD	Rating	Action
12-Dec-07	37.2	30.4	BUY	Initiate
22-Jan-08	37.2	24.1	BUY	Maintain
15-Aug-08	37.2	13.8	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	94	75%
Hold	21	17%
Sell	8	6%
Under Review	2	2%
<b>Total</b>	<b>125</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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