



CONCORDE CAPITAL

Ukraine / Steel

# Zaporizhstal

## Hefty dividends – One more step toward sale?

July 30, 2008

Current price: USD 0.49  
12M Target: USD 1.00

**BUY**

### Eugene Cherviachenko

ec@concorde.com.ua  
+380 44 391 5577

### Tickers

Bloomberg	ZPST UZ
GDR (Frankfurt/Xetra)	UWP GR

### Market information

Market price, USD	0.49
MCap, USD mln	1,294.5
Chg YTD	45.0%
52Wk Hi/Lo, USD	0.89/0.49
No of shares, mln	2,643.6
DRs per common share	1:10
Free float	1.2%
Free float, USD mln	15.5

*Note: On May 20, formal trading in Zaporizhstal ordinary shares resumed on the PFTS after almost a two-year hiatus*

### Corporate Governance

Concorde Rating*	P
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*\* 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

Global Steel Investment	44.8%
Zakhid-Reserv	28.5%
Airol Beteiligungen	14.9%
Other	11.8%

At their EGM yesterday, Zaporizhstal shareholders voted to make a USD 114.2 mln dividend payout (DPS of USD 0.04, dividend yield of 9%). The company will distribute 100% of its 2007 net income. Dividends will be paid from September 2, 2008 to September 2, 2009.

In our view, such a hefty dividend looks irrational, taking into account that the company has said it plans to invest almost USD 2.4 bln in CapEx over the mid-term. The distribution of profits among existing shareholders underpins our belief that they are preparing for a strategic sale. At Zaporizhstal's December EGM, its owners voted for a number of decisions to restructure the business (see our December 25 flash note).

**We upgrade our recommendation on Zaporizhstal to BUY, while retaining our previous 12M target of USD 1.0 per share. After its 45% dive since January, the stock offers 104% upside to our target.**

FLASH NOTE

FLASH NOTE

FLASH NOTE

## Appendix - Disclosures

### Analyst Certification

I, Eugene Cherviachenko, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

Date	Target price, USD	Market price, USD	Rec	Action
20-Jan-05	1.35	1.02	BUY	Initiate
26-Sep-05	1.07	1.20	SELL	Downgrade
22-Mar-06	1.30	1.23	HOLD	Upgrade
20-Apr-06	Susp	-	Susp	Suspend
23-May-08	1.00	0.89	HOLD	Reinstate
30-Jul-08	1.00	0.49	BUY	Upgrade

## 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	79	69%
Hold	20	18%
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.

**Concorde Capital, Head office**

2 Mechnikova Street, 21st Floor  
Parus Business Centre  
Kyiv 01601, Ukraine  
Tel.: +380 44 391 5577  
Fax: +380 44 391 5571

[www.concorde.ua](http://www.concorde.ua)

**CEO**

Igor Mazepa [im@concorde.com.ua](mailto:im@concorde.com.ua)

**Head of Equity Sales**

Roman Nasirov [rn@concorde.com.ua](mailto:rn@concorde.com.ua)

**Equity Sales**

Anastasiya Nazarenko [an@concorde.com.ua](mailto:an@concorde.com.ua)  
Marina Martirosyan [mm@concorde.com.ua](mailto:mm@concorde.com.ua)  
Andriy Supranonok [sap@concorde.com.ua](mailto:sap@concorde.com.ua)  
Marina Cherednichenko [cmg@concorde.com.ua](mailto:cmg@concorde.com.ua)  
Alyona Degrik [dav@concorde.com.ua](mailto:dav@concorde.com.ua)

**Director of Research**

Konstantin Fisun, CFA [kf@concorde.com.ua](mailto:kf@concorde.com.ua)

**Concorde Capital**

4 Fourth Lesnoy Pereulok, 5th Floor  
Capital Plaza  
Moscow 125047, Russia  
Tel.: +7 495 642 87 15  
Fax: +7 495 225 85 00

[office@concorde.com.ua](mailto:office@concorde.com.ua)

**RESEARCH**

**Strategy**

Konstantin Fisun [kf@concorde.com.ua](mailto:kf@concorde.com.ua)  
Oleksandr Klymchuk [ok@concorde.com.ua](mailto:ok@concorde.com.ua)

**Metals & Mining**

Eugene Cherviachenko [ec@concorde.com.ua](mailto:ec@concorde.com.ua)  
Andriy Gerus [ga@concorde.com.ua](mailto:ga@concorde.com.ua)

**Utilities (Telecom, Energy)**

Alexander Paraschiy [ap@concorde.com.ua](mailto:ap@concorde.com.ua)

**Oil & Gas, Chemicals,  
Pharmaceuticals**

Vladimir Nesterenko [vn@concorde.com.ua](mailto:vn@concorde.com.ua)

**Real Estate/Construction**

Andriy Gostik, CFA [ag@concorde.com.ua](mailto:ag@concorde.com.ua)  
Alexander Romanov [ar@concorde.com.ua](mailto:ar@concorde.com.ua)

**Consumer-related**

Olha Pankiv [op@concorde.com.ua](mailto:op@concorde.com.ua)  
Anna Dudchenko [ad@concorde.com.ua](mailto:ad@concorde.com.ua)

**Machinery**

Inna Perepelytsya [pi@concorde.com.ua](mailto:pi@concorde.com.ua)

**Financial Services, Retail**

Alexander Viktorov [av@concorde.com.ua](mailto:av@concorde.com.ua)

**Economics**

Polina Khomenko [pk@concorde.com.ua](mailto:pk@concorde.com.ua)  
Andrii Parkhomenko [pav@concorde.com.ua](mailto:pav@concorde.com.ua)

**Fixed Income**

Oleksandr Klymchuk [ok@concorde.com.ua](mailto:ok@concorde.com.ua)

**Editor**

Brad Wells [bw@concorde.com.ua](mailto:bw@concorde.com.ua)

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