

# Yasinovka Coke

The Company's key advantage is its free access to coking coal

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Coke

	Sales (\$ mln)	EBITDA (\$ mln)	Net income (\$ mln)	P/S	EV/EBITDA	P/E
2007	366.7	50.5	29.9	0.41	3.61	5.02
2008	522.5	71.2	50.1	0.29	2.56	3.00
2009	272.2	21.8	10.6	0.55	8.34	14.17

Sources: Company data, UFC Capital estimates.

Yasinovka Coke produces coal coke, blast-furnace coke, low-granular and foundry cokes, nut coke and coke fines, as well as a wide range of coke-chemical products. The Company's structure is comprised of six main production departments (coal-preparation, coke, trapping, purification, desulfurization, and floatation tailing processing), and 13 auxiliary departments.

- ▶ Doneskstal Metallurgical Works, the key shareholder in Yasinovka Coke, is part of the Energo group, which is controlled by Ukrainian businessman Victor Nusenkis.
- ▶ The deficit of coking coal in Ukraine is widening. On the one hand, this is explained by the poor deposits of this raw resource, and on the other hand, by the declining volumes of its import. Nevertheless, Yasinovka Coke faces no problems with its supply thanks to the large coal production capacities of the Chervonoarmiyska-Zakhidna Coalmine #1, which is also part of the Energo group.
- ▶ The Company's management has announced its plans for 2010, which involves boosting its net profit by 18% YoY to 97.5 mln hryvnia. The Company's order book for 2010 is expected to bring in 2.5 bln hryvnia.
- ▶ In 2009, the Company's net sales dropped 23% YoY (in hryvnia terms), while its EBITDA decreased by 55%, and its net profit by 69%. Such a decline is explained by an increase in "other operating expenses" in the sales volume, from 4% in 2008 to 22% in 2009.
- ▶ In 4M2010, the Company's coke output increased by 13% YoY to a total of 518 thsd t.
- ▶ When valuating the shares of Yasinovka Coke, we compared the Company with its international and domestic peers. The current multiples imply a potential upside is 79%. Thus, we recommend **BUYing** shares in Yasinovka Coke.

**BUY**

Current price: \$0.55

Fair price: \$0.98

Upside: 78%

## Tickers

PFTS / UX / Bloomberg YASK

## Shareholders structure

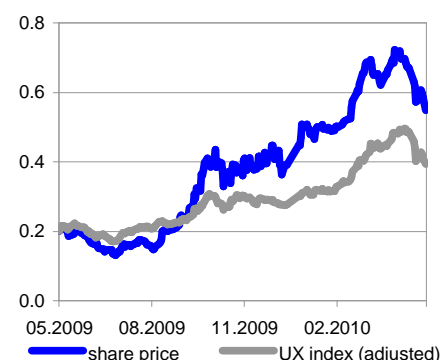
Doneskstal-metallurgical Works CJSC	75.9%
Investrazvitie LLC	9.0%
OSTA PVIF	6.1%
Other	9.0%

## Capital Structure

Number of common stock	273 598 680
Number of privileged stock	60 000 000
Capitalization, \$ mln	150.2
Net debt, \$ mln	31.9
EV, \$ mln	182.0

## Equities performance, \$

52-week low	0.13
52-week high	0.72



# Financials

## Balance sheet, \$ mln

	31.12.2007	31.12.2008	31.12.2009
Cash and cash equivalents	0.8	0.0	0.0
Current financial investments	0.0	0.0	11.8
Commercial accounts receivable	13.2	16.5	52.3
Other accounts receivable	5.8	8.9	13.6
Inventories	21.1	27.6	15.7
Other current assets	0.7	0.5	0.3
<b>Total current assets</b>	<b>41.6</b>	<b>53.5</b>	<b>93.7</b>
Fixed assets	85.7	55.5	55.8
Other fixed assets	6.2	20.2	14.6
<b>Total fixed assets</b>	<b>91.9</b>	<b>75.8</b>	<b>70.4</b>
<b>Total assets</b>	<b>133.5</b>	<b>129.3</b>	<b>164.0</b>
Short-term loans	0.0	0.0	0.0
Current long-term liabilities	0.0	0.0	30.0
Goods accounts payable	18.2	21.6	16.8
Other current liabilities	7.6	3.5	6.2
<b>Total short-term liabilities</b>	<b>25.8</b>	<b>25.1</b>	<b>53.0</b>
Long-term bank loans	0.0	0.0	0.0
Other long-term financial liabilities	0.0	0.0	0.0
Other long-term liabilities	0.7	1.1	1.8
<b>Total long-term liabilities</b>	<b>0.7</b>	<b>1.1</b>	<b>1.8</b>
Charter capital	16.5	10.8	10.4
Retained profit	70.0	83.4	95.5
Other equity	20.4	8.8	3.2
<b>Total equity</b>	<b>107.0</b>	<b>103.0</b>	<b>109.2</b>
<b>Total equity and liabilities</b>	<b>133.5</b>	<b>129.3</b>	<b>164.0</b>

Sources: company data, UFC Capital estimates.

## Income statement, \$ mln

	2007	2008	2009
<b>Sales (net revenue)</b>	<b>366.7</b>	<b>522.5</b>	<b>272.2</b>
COGS	312.9	444.9	243.1
Gross profit (loss)	53.8	77.7	29.1
Other operating income	19.4	19.0	62.4
Administrative and other operating expenses	22.8	25.4	69.7
<b>EBITDA</b>	<b>50.5</b>	<b>71.2</b>	<b>21.8</b>
Depreciation	7.7	5.2	3.8
Operating income (loss)	42.7	66.0	18.0
Other income	3.1	1.2	8.1
Financial expenses	0.0	0.0	3.9
Other expenses	3.6	1.0	9.6
Pre-tax profit (loss) from ordinary operations	42.2	66.3	12.6
Income tax on ordinary operations	12.3	16.2	2.0
<b>Net income (loss) from ordinary operations</b>	<b>29.9</b>	<b>50.1</b>	<b>10.6</b>

Sources: company data, UFC Capital estimates.

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