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PIK Group (PIK LI)

Home presales in 1H10 soared by 531%

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Six-fold growth of contracted retail volumes. Today PIK Group has disclosed the preliminary data on new home retail presales for 1H10. Their total amount has grown by 531% y-o-y to RUR6.96 bn (\$231 mn). For the reporting period the company has sold 94,207 sqm of the residential real estate that is 456% higher as compared to 1H09. Solid growth of consumer activity was evidenced in 2Q10 when sales surged by 700% y-o-y vs. 388% in 1Q10. It is necessary to notice that these results reflect only new home retail presales by PIK Group, and do not include other types of sales, such as sales of social residential for the state needs, wholesales and other.

Total contracted retail volume

	1H10	1H09	Change, %
Value (in RUR mn)	6957	1103	531%
size (in sqm)	94207	16932	456%
size (in units)	1776	298	496%

Total contracted retail volume

	2Q10	2Q09	Change, %	1Q10	1Q09	Change, %
Value (RUR mn)	4029	503	701%	2928	600	388%
size (in sqm)	54412	7886	590%	39795	9046	340%
size (in units)	948	114	732%	828	184	350%

Sources: PIK Group

Moscow Region is restoring faster, demand for the mortgage is on the rise. The demand rebound for the residential real estate is concentrated mainly in Moscow and Moscow Region. These two regions accounted for 87% of total sales of PIK Group in 1H10. The average sales have reached 15.1 apartments per day in 1H10, up by 504% y-o-y. The launch of mortgage program in June, 2010, which was jointly developed by PIK Group and Gazprombank (interest rate at 13%, initial contribution of 20%, maturity up to 25 years), positively impact growth sales. The share of mortgage transactions of residential acquisition increased by 9% in June, 2010 vs. 3% a year ago.

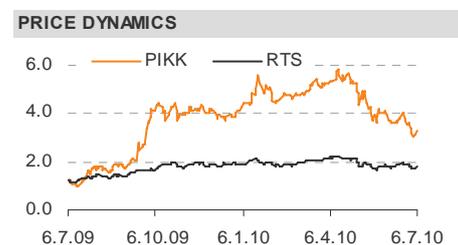
We keep moderately positive view. PIK Group has shown strong sales of residential in 1H10 which have surpassed our expectations. We keep moderately positive view on the company. Despite the fundamental reasons behind sustainable demand for residential in Russia, instability of financial and currency markets over the last few months indicates that fast sector recovery is unlikely. We also do not rule out negative dynamics of square meter price in 2H10. Our end-2010 target price for PIK Group is \$7.2 per share.

RECOMMENDATION		
	Common	Preferred
Ticker	PIK LI	-
Recommendation	BUY	-
Price, \$	3.2	-
Fair price, \$	7.2	-
Upside/downside potential	129%	-

SHARE DATA		
	PIK LI	
	Common	Preferred
Bloomberg	PIK LI	
Reuters	-	
# of shares outstanding, mn	493.3	-
EV, \$mn	2 813	-
MC, \$ mn	1 554	-
MIN 12 mnth., \$	0.98	-
MAX 12 mnth., \$	5.97	-
GDR per 1 share	1	-

SUMMARY FINANCIALS, \$ mn			
	2009	2010E	2011E
Revenue	1 300	1 236	1 530
EBITDA	-60	218	255
Net income	-361	-8	36
EPS (\$)	-0.7	0.0	0.1
Rev. growth (%)	-4	-5	24
EBITDA Margin (%)	29	18	17
Net Margin (%)	9	-1	2

SUMMARY VALUATIONS			
	2009	2010E	2011E
EV/EBITDA	-46.9	12.9	11.0
EV/S	2.2	2.3	1.8



Source: Bloomberg, TKB Capital estimates

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