

United Wagon Company

Debt restructuring

- ▶ **United Wagon Company has announced the restructuring of several loans by Otkritie Bank.** The restructuring involves changing credit terms for loans to RPC UWC, TD UWC, TWSZ, Tyazhmash plant, TSZ Titran- Express, which amount to RUB39bn as of 28 February 2019. The interest rate will be reduced to 9.55% from 11.5% on average, with the closest payment dates shifted to the end of June 2019. The consolidated debt held by UWC was RUB110bn on 30 June 2018, the last reporting date. Otkritie Bank controlled 55% of the debt or c.RUB61bn, while bonds represented RUB29.7bn or 27% of the debt portfolio. The company reported RUB6.2bn in financial expenses for 1H2018, which provides an effective interest rate estimate at c.11.16%. The maturity profile included RUB7.4bn of debt and RUB15bn of bonds to be repaid in 2019, according to the latest report. The company reported RUB5.1bn EBITDA in 1H18, with our estimated figure for the full year is over RUB13bn due to higher production and sales in the second half of 2018. In August 2018, UWC sold most of its fleet to Gazprombank Leasing with the following financial leasing of this fleet. Some funds from the sale were used for Alfa-Bank's debt repayment and the rest may be used to reduce the debt level in 2019. According to Vedomosti, the stake 7.9% of Otkritie Holding will be transferred to Bank Otkritie, which controls 24.3%.
- ▶ **The essential part of the restructuring is the focus on cost optimisation by UWC.** According to CEO Timofey Khryapov, the company will focus on optimizing production and the management company's costs. We believe this may affect the product range of the company and SG&A. The cost of raw materials accounts for the majority of the cost of sales, driven mostly by metal prices. The company reported an increase in raw material costs to RUB19.3bn in 1H18 from RUB10.2bn in 1H17 (up 89.4% YoY, and RUB9.7bn adjusted to subsidiaries), while the revenue increased to RUB32.2bn from 28.7bn (up 12.1% YoY) respectively. Labour costs increased 67% YoY to RUB3.7bn in 1H18, while SG&A were up 31% to RUB1.5bn. The reduction of interest rates and cost optimization may bring the company on the positive pre-tax profit territory already in 2019.

Report date: 1 April 2019

Ticker / Main Exchange	UWGN / MOEX
Current price, RUB	425.1
MktCap, RUBmn	49,310
EV, RUB mn	153,120
Number of shares	115,996,689

Indicies	MOEX Broad Market Index, RTS Broad Market Index
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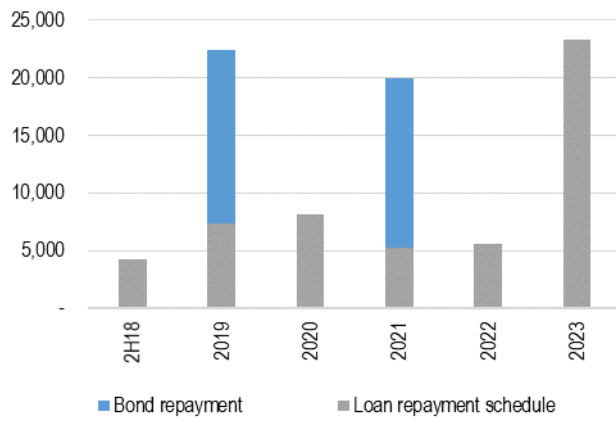
Description:

United Wagon Company is the leading Russian producer of the modern rolling stock. The company supplies innovative gondolas, hoppers, tanks and other railcars to Russian customers and to exports. The company's capacity is 22,000 railcars per year. The Russian market share of UWC reached 29% in 2018.

The Company is the Research client of Hypothesis Research Ltd

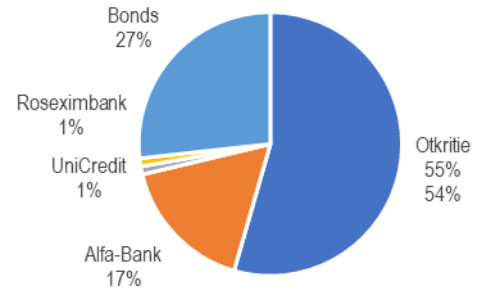
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Figure 1. UWC debt maturity profile, RUBmn as of 30/06/2018



Source: company data

Figure 2. UWC debt portfolio structure, % as of 30/06/2018



Source: company data

Important disclosures

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