

United Wagon Company

New Board election

- ▶ **United Wagon Company shareholders have elected a new board of directors.** The EGM held on 11 March 2019 elected a new board of directors comprising seven members: Andrey Bokarev, Vladimir Varivonchik, Artem Kirillov, Alexander Sokolov, Rakhman Khalilov, Timofey Khryapov, and Sergey Chagay. The new board appointed Alexander Sokolov chairman at its first meeting on 15 March. The board comprises four representatives of Bank Otkritie: Alexander Sokolov, Vladimir Varivonchik, Artem Kirillov, and Sergey Chagay. The company has not commented on the number of independent directors; however, Andrey Bokarev and Rakhman Khalilov may be recognized as such, on our view. The CEO Timofey Khryapov may - given his experience with Russian Technologies - be associated with the new shareholder Uralvagonzavod, which is controlled by Russian Technologies. Now, representatives of the two largest rolling stock producers, Transmashholding and Uralvagonzavod, are on board of UWC.
- ▶ **The board will set new corporate governance procedures and update the strategy.** UWC has been through an intensive growth phase over the last seven years since the launch of production by a newly built plant. Currently, the company is approaching its full capacity utilization and represents a mature business that is well established as a leader in the innovative railcar market. The major focus of the company is on diversification of its products, markets and client base in order to maximize the return for shareholders. The high level of accumulated debt is the key financial challenge that will be addressed by the new board, according to CEO Timofey Khryapov. We expect the debt restructuring negotiations started last year with the major creditor Bank Otkritie to result in a lighter burden by the end of the year. The company may provide an update after it publishes its FY2018 financial results in April 2019.

Report date: 25 March 2019

Ticker / Main Exchange	UWGN / MOEX
Current price, RUB	480
MktCap, RUBmn	55,678
EV, RUB mn	159,488
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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Alexander Sokolov	Alexander Sokolov serves as president and chairman of the management board of Bank TRUST and is a member of the supervisory board of VTB Bank. He also serves as chairman at AVB, head of the risk department at Bank Otkritie, chairman at RGS Bank, and supervisory board member at Rosgosstrakh, Pochtabank, and Dolgovoy Center. Alexander Sokolov represents Bank Otkritie. He elected chairman of the board.
Andrey Bokarev	Andrey Bokarev serves as the president of Transmashholding since 2008, chairman of Kuzbassrazrezugol coal company since 2003, board member of Ural Mining and Metallurgical Company since 1999, and chairman of the board at UGMK-Perspectiva pension fund. He has held a number of top management positions in public and commercial organizations. Andrey Bokarev may be recognized as an independent director of the company.
Vladimir Varivonchik	Vladimir Varivonchik serves as director of the department of risks of corporate business at Bank Otkritie since 2018. He served as senior managing director at Sberbank of Russia in 2017-18 and as managing director at Raiffeisenbank in 2010-17. He represents Bank Otkritie.
Artem Kirillov	Artem Kirillov serves as advisor and managing director at Bank Otkritie, chairman at GEOTEK Seismorazvedka, and deputy chairman at TRUST Bank. Previously, he served as junior partner at McKinsey & Company In 2017-18, CEO of Nord Group in 2014-17, and advisor to the CEO at First Russian Recovery in 2014. Artem Kirillov represents Otkritie Bank on the board.
Rakhman Khalilov	Rakhman Khalilov serves as chairman of ISR Trans since 2015. Before this, he served as the head of RIROIL oil trading company, and as a trader at LUKOIL. He may be recognized as an independent director of the company.
Timofey Khryapov	Timofey Khryapov has been CEO of UWC since 21 December 2018. Previously, he served as first vice president and chairman of ARETI International Group in 2016-18, CEO and first deputy CEO of VEB Capital in 2014-16, and first deputy CEO of Stroitransgas in 2012-14. He serves as chairman of the board at Novinsky Passage, Pilsen Steel, Kraslesinvest, VEB Invest, Modum-Trans, and BelZAN. Timofey Khryapov has held senior positions in Russian Technologies and other companies.
Sergey Chagay	Sergey Chagay serves as head of department at Bank Otkritie since 2018. Before, he served as senior managing director at Vnesheconombank in 2017-18, and as head of department at Sberbank in 2010-14. He represents Bank Otkritie on the board.

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