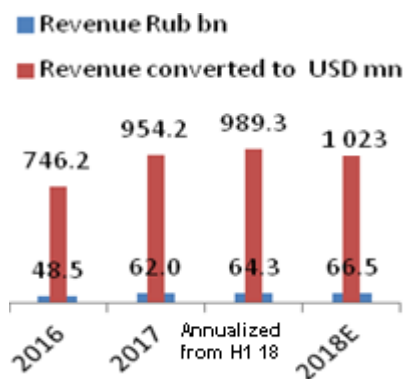
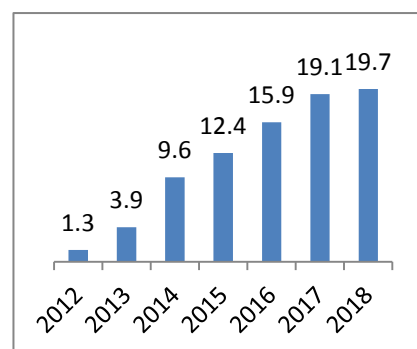




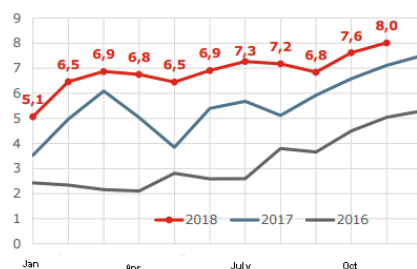
## OVK Revenue 2016 – 2018E



## OVK Railcar Production



## Total CIS Railcar Sales 2018 vs Previous Years

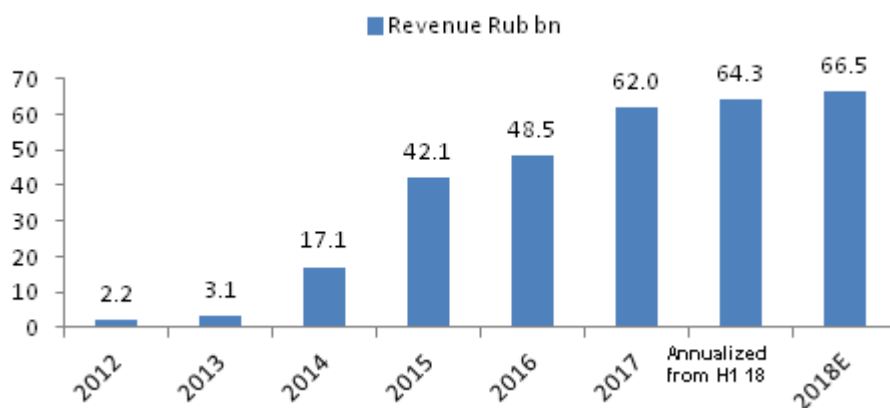


## United Wagon - Q4 Operating results -- leaner, healthier

Russian United Wagon Corporation reported a set of operating numbers for Q4 and full year 2018.

- Railcar production was up by 3,1% in 2018 and reached 19,700 units
- H1 2108 Revenue was earlier reported at 32bn Rub for H1 2018 and if annualized totals 64bn Rub or 3.6% increase on reported 2017 annual revenue. On our expectations revenue could increase to 66bn rub in 2018 or post a 7% increase on 2017 number.
- EBITDA margin in leasing business was reported at 85% in H1 2018 – which is slightly higher than 2017 reported EBITDA margin in leasing 84.5%.
- Net income remains in red, and H1 loss if annualized is greater than 2017 net income
- Railcar production has become a more competitive market. Overall railcar production has peaked up drastically in CIS and in Russian reaching on our estimates 6500 a 15% increase compared to 2017. OVK market share has dropped to c.29% in Russia.
- Debt/EBITDA remains a very high multiple for OVK just above 9x. But the number is misleading as leasing segment of OVK is basically a financials sector business and Debt/EBITDA multiples for financial institutions are very high on average. E.g. an estimate of such a number for Sberbank will be circa 16x for 2018.
- Capex is likely to be much more ascetic in 2018 down by 25% vs 2017 3.5bn Rub
- Operating cashflow was 6.6Rub bn for H1 2018 vs 1.9bn for H1 2017 and combined with lower capex the free cashflow could be much healthier in 2018.
- Overall operating results should provide optimism for investors as OVK operating performance improving. There remains skepticism about OVK leverage, but in our view a deeper dig into OVK business model explains high Debt/EBTDA multiples. We maintain our view that current levels should be attractive for increasing position in OVK.

## OVK top line performance



Source: Company Data, Midlincoln Estimates

## United Wagon Corporation Financial Performance

	2012	2013	2014	2015	2016	2017	H1 18
Revenue	2 167	3 071	17 057	42 088	48 505	62 020	32 151
EBITDA	825	1 403	3 572	7 035	13 670	12 719	5 096
<i>EBITDA margin</i>	38.1%	45.7%	20.9%	16.7%	28.2%	20.5%	15.9%
Net Income	-4 517	-5 713	549	-9 676	569	-4 525	-3 053
<b>Net Debt</b>							
Net Debt	33 820	55 893	87 573	97 023	100 003	104 140	105 727
NEt Debt/EBITDA	41.0	39.8	24.5	13.8	7.3	8.2	10.4
<b>Railcar production</b>							
Выручка	1 998	7 103	23 166	32 058	43 435	54 742	28 500
EBITDA	-3 371	-2 941	1 293	4 171	9 043	9 708	2 690
<i>EBITDA margin</i>			5.6%	13.0%	20.8%	17.7%	9.4%
EBITDA без субсидий	-3 371	-2 941	1 293	4 171	5 869	8 015	
<i>EBITDA margin без субсидий</i>			0	0	0	14.6%	
Railcar Production OVK	1.3	3.9	9.6	12.4	15.9	19.1	19.7
Railcar production Russia	70.5	59.2	54.6	26.9	35.2	57.4	65
Marketshare in Russia	2%	7%	18%	46%	44%	33%	
<b>Leasing</b>							
Выручка	2 172	2 689	4 379	4 295	5 248	6 146	3 400
EBITDA	1 773	2 269	3 349	2 779	4 259	5 193	2 918
<i>EBITDA margin</i>	81.6%	84.4%	76.5%	64.7%	81.2%	84.5%	85.8%
Railcar park owned by OVK	5.7	10.2	16.6	16	20.8	13.3	11.9

Source: Company Data, Midlincoln Estimates

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