CDM PEKAO S.A.
Securities

Pekao Research
REPORT

35/2006 (482)

GTC

Price: PLN 34.0
12M EFV: PLN 36.3 (↑)

Hold (from Accumulate)

16 October 2006

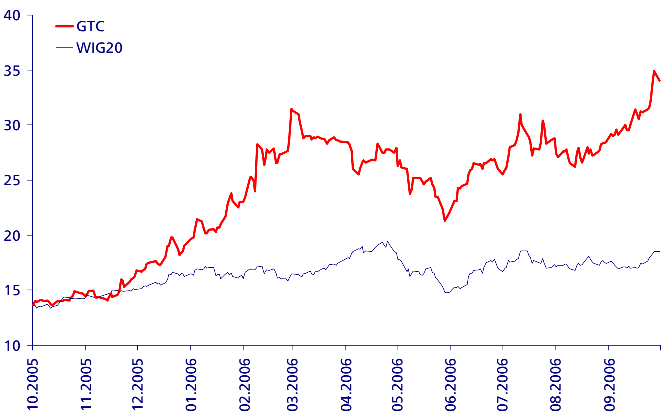
Sector	Market Cap	Free Float	Av. Daily Turnover	Reuters	12-Mth Range
Real estate	US$ 2,400 m	52%	US$ 2.53 m	GTCE.WA	PLN 13.60-34.89

Key Data

IFRS, consolidated		2005	2006E	2007E	2008E
Sales	*USD m*	95.6	111.9	146.5	267.1
EBITDA	*USD m*	195.7	431.3	302.9	125.9
Adj EBITDA	*USD m*	46.7	58.4	57.4	83.6
Oper. profit	*USD m*	195.5	430.6	302.1	125.0
Oper. profit bef. revaluation	*USD m*	44.6	57.6	56.5	82.7
Net profit	*USD m*	140.0	323.7	211.0	56.5
Net profit bef. revaluation	*USD m*	17.7	21.7	12.1	22.2
Net debt	*USD m*	339.2	335.1	497.9	711.4
P/E	*x*	15.7	7.4	11.5	43.0
Adj P/E*	*x*	124.3	111.2	199.8	109.4
EV/EBITDA	*x*	13.0	6.4	9.6	24.9
Adj EV/EBITDA*	*x*	54.4	46.9	50.9	37.6
EV/EBIT	*x*	13.0	6.4	9.7	25.1
Adj EV/EBIT*	*x*	57.0	47.6	51.7	37.9
EV/Sales	*x*	26.6	24.5	19.9	11.8
P/NAV	*x*	4.4	2.4	2.0	1.9
Gross dividend yield	*%*	0.0	0.0	0.0	0.2
No. of shares (eop)	*ths*	20,017	218,777	220,265	220,563

** ratios adjusted by profits from revaluation of real estate portfolio*
Source: Company, CDM Pekao estimates

Stock Performance



Source: Bloomberg

Last Results of this Kind?

We expect the 3Q06E posting to be impressive due to revaluation profits booked on the back of yields compression the CEE region witnessed over the last year. The 3Q06E posting of strong results might well serve as a share price catalyst, though seeing no further room for capitalization rates compression, the growth in the share price seems limited to us. Taking into account all existing projects, projects under construction and more important projects to be developed but not announced yet, we value GTC at PLN 36.3 per share (USD 11.7). Seeing a very modest upside to our EFV, we change our fundamental rating from Accumulate to Hold, maintain however our Overweight market relative bias due to expected strong 3Q06E results.

- We expect the 3Q06E posting to be unique due to the record high revaluation of existing real estate portfolio, being the result of the yields compression the CEE region experienced during the last year. The results might well serve as the trigger for the share price performance, however, we find the further growth of GTC's price rather limited, since we do not see much room for further yields compression.

- The office space market remains strong in the CEE region. Growing take-up accompanied by falling vacancy rate speak for itself. In 1H06, the take-up continued move from strength on the local markets to strength across the region. In 1H06, the take-up grew by 20.1% yoy, to 1.18 million sq m in total - making 1H06 the period of strongest performance in the region to date.

- Valuation-wise we find GTC fairly priced. We assumed that GTC will be able to reinvest the substantial cash position (properly leveraged) it has collected from recent divestitures and SPO. Doing so, in fact we assumed that GTC is able to find new projects, not announced yet however, amounting to ca. 340,000 sqm of rentable area.

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