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## PIK axed

Residential property developer **PIK Group** was forced to cancel a US\$300m capital increase last week after a US\$500m accelerated bookbuild of secondary stock by two major shareholders failed to achieve their minimum price. The shareholders, directors Kirill Pisarev and Yuri Zhukov, were offering local shares in the book-build and planned to reinvest half the proceeds in the open offer.

Part of the proceeds of the open offer were to be used to fund land acquisitions comprising 63 hectares in St Petersburg, where the company plans to develop 1.3m square metres of housing, and 229 hectares in Izhevsk where the plan is to develop 1.5m square metres of housing. The company is due to pay US\$280m this year for the acquisitions.

The bookbuild involved only 4% of the company's share capital, but failed mainly because investors were concerned about the level of liquidity that the local stock would have and demanded a greater discount to the London GDRs than the pair were prepared to accept. US funds, which were very keen to invest, were especially wary of taking the local shares.

The leads were surprised by the level of caution because the local float was expected to be worth US\$1bn following the increase.

The ABB launched last Thursday morning with joint leads *Renaissance Capital*, *Morgan Stanley* and *Nomura* indicating that pricing was expected to be close to Wednesday's US\$29.70 close.

Demand was good with a number of blue-chip investors in the UK and continental Europe placing orders and the full US\$500m could have been done marginally below US\$27, representing a 9.1% discount,

while there was sufficient demand to do a smaller deal at US\$27. However, the sellers would not agree and may have been influenced by recent analyst research that valued the company at US\$41 per share.

The leads said that there would have been substantially more demand for a GDR offering. As an indication of that, one institution placed an order for US\$3m, but said it would have put in a US\$100m order for GDRs. However, PIK did not have the option to issue more GDRs since it is very close to its statutory limit.

The management had conducted two weeks of roadshows in the US and Europe and received a positive response to their development plans.

The company will still proceed with the land acquisitions and will fund them through increased bank debt. The strong level of support enjoyed by the company among investors was demonstrated after the deal was cancelled on Friday. The GDRs opened down 1.2% at US\$29.25, but then rose to a high of US\$31 despite a very poor market background on Friday afternoon.