

## Etalon, PIK See Uptick in Demand

By [The Moscow Times](#)

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Etalon's chairman said the developer plans to commission 40 percent to 50 percent more housing in 2011. **Maxim Stulov**

Etalon will refrain from paying dividends until 2016 so it can conserve cash needed to quadruple housing construction to 1 million square meters a year, its board chairman said.

Vyacheslav Zarenkov said the St. Petersburg-based developer plans to commission 40 percent to 50 percent more housing this year, up from 213,000 square meters in 2010, helped by continued expansion in the Moscow region.

"In 2011 we plan to commission between 300,000 and 320,000 square meters, including 97,500 in Moscow and the rest in St. Petersburg. For 2012 the plan is 386,000 square meters, and we will definitely make it," Zarenkov said last week.

Etalon raised \$500 million in a London initial public offering in April, and Zarenkov said 70 percent of the proceeds would be used to finance project acquisitions and the rest to finance construction.

Moscow will eventually account for 50 percent of Etalon's business, he said, adding that he was satisfied with the changes to the metropolitan market since the arrival of a new mayor.

Zarenkov, who together with his family controls 47.2 percent of Etalon, said the company would be channeling all of its net profit into development over the next five years.

"We expect that the money raised in the IPO will be enough for the company to develop for at least six, maybe more, years."

Zarenkov said the company would not tap debt markets this year to fund acquisitions and planned to borrow between \$140 million and \$180 million in bank loans in 2012.

"Our debt to [earnings before interest, taxation, depreciation and amortization] was at 0.6 at the end of 2010 and is currently at 1.6. We plan it at around 2.0 by the end of 2012, which is a comfortable debt load," he said.

He also forecast 2011 EBITDA at not lower than last year and said the EBITDA margin would be maintained at 30 percent to 35 percent.

For the year ended Dec. 31, 2010, the company recorded revenues of 20.3 billion rubles (\$733 million) and EBITDA of 6.9 billion rubles, with an EBITDA margin of 34 percent.

Meanwhile, housing developer PIK said late last week that its cash receipts from the sale of apartments surged in the first half of 2011 on the back of higher selling prices and stronger demand.

"With a recovery in consumer confidence, improvements in macroeconomic conditions, mortgage accessibility and property price growth ... PIK saw a 63 percent year-on-year growth in H1 2011 residential real estate sales," it said in a statement.

Sales of apartments came in at 14.2 billion rubles versus 8.7 billion in the first half of 2010.

PIK said property prices in Moscow, its most profitable market, were 23 percent higher than in 2010 as a whole, totaling 140,000 rubles per square meter.

Excluding business-class housing, average Moscow prices were up 10 percent to 114,100 rubles per square meter.

The company also said second-quarter sales funded by mortgages reached the pre-crisis level at 25.3 percent.

Total gross cash collections, including offsets with suppliers, increased 57 percent to 23.3 billion rubles.

PIK, 38 percent owned by Suleiman Kerimov, builds mostly low-cost homes in Moscow and its suburbs.

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