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## TOPLIVO

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### General Information

Toplivo was established in 1947 as a state-owned company, specialized in supply, storage and trade with construction and heating materials. Gradually, the company widened its product range and in late 60s /early 70s/ started trading with liquefied petroleum gas (LPG). The company was privatized in 1996 during the first wave of mass privatization, when Petrol Holding (now Synergon Holding) acquired 34% of the company's shares. The holding gradually increased its stake in Toplivo and even tried to delist it in 2002, but its attempt failed due to the state's blocking stake in the company. Recently, Synergon Holding owns 73% from the Toplivo's capital.

Toplivo offers a wide range of products through 380 stores, warehouses and gas stations in about 196 populated areas. The construction materials could continue to support the company's performance in the future as Bulgaria's housing market is said to continue to grow steadily in short term.

### Business Description

The main activities of Toplivo are supplying, keeping and trading with propane-butane, coals and briquettes as well as trading with construction materials. Toplivo is official representative of Grohe - world leader on the sanitary fixture market, Keramac and Kolo - specialized in the production of sanitary faience for Bulgaria. The company maintains its orientation toward construction materials, which set up 37% from the 4Q 2007 sales. The other part of revenues is formed by:

- trading with propane- butane – 27%,
- liquid fuels – 24%,
- heating materials – 12%.

Recently, the company decreased its retail trade revenues from liquid fuels due to the mass entering of Shell, OMV, LUKOIL and Petrol.

The activity of Toplivo regarding of solid fuels is under the centralized method of business strategy, negotiating, pricing and repartition of the quantity in case of necessity. The mild winter last year resulted to increased stockpiles of heating materials and lower than expected sales during the first quarter. The company's balance sheet was also under pressure as Toplivo was unable to switch back to more profitable trading with construction materials during the second quarter in full scale. However, the sales during the forth quarter posted a visible increase which could diminish the excess stockpiles.

### Financial Situation

The net profit for 2007 is far below the previous expectations as the management underestimated the negative effect from the mild winter last year. However, sales increased 2% last year and the profitability improved during the forth quarter. Toplivo is one of the cheapest stocks in terms of P/B ratio and the company has plenty of real estates that aren't revaluated recently and could add to the revaluation reserve.

The forth quarter performance is a reason to expect moderate growth for the next several years which should also improve the profit margin. The current P/E is 20 whereas P/B ratio is 1.20.

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**Financial Data**

<b>Consol. Statement of Income (in thousand BGN)</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Sales	192 938	305 067	287 754	293 244
Production expenses	177 033	263 340	262 954	266 419
Personnel expenses	7 578	18 014	9 512	10 758
Net income from financial activities	102	4 484	(598)	(400)
Other revenues and expenses	246	3 035	(53)	(5)
<b>EBITDA</b>	<b>8 675</b>	<b>31 232</b>	<b>14 637</b>	<b>15 662</b>
Depreciation	5 428	12 672	5 978	5 829
<b>EBIT</b>	<b>3 247</b>	<b>18 560</b>	<b>8 659</b>	<b>9 833</b>
Interest expense	(2 355)	(5 210)	(2 694)	(3 637)
<b>Pretax income</b>	<b>892</b>	<b>13 350</b>	<b>5 965</b>	<b>6 196</b>
Taxes	186	1 705	900	620
<b>After-tax income</b>	<b>706</b>	<b>11 645</b>	<b>5 065</b>	<b>5 576</b>
Minority interest	0	1 392	0	0
<b>Net income</b>	<b>706</b>	<b>10 253</b>	<b>5 065</b>	<b>5 576</b>
<b>Earnings per share in BGN</b>	<b>0.16</b>	<b>2.37</b>	<b>0.94</b>	<b>1.03</b>
			-598	-400
<b>Consol. Balance Sheet (in thousand BGN)</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Total Assets</b>	<b>115 954</b>	<b>292 822</b>	<b>147 168</b>	<b>176 634</b>
Equity subscriptions receivable	0	0	0	0
<b>Fixed assets</b>	<b>66 289</b>	<b>180 889</b>	<b>77 862</b>	<b>93 199</b>
Tangible fixed assets	63 392	174 377	74 605	86 293
Financial investments	100	52	52	52
<b>Current assets</b>	<b>49 665</b>	<b>111 933</b>	<b>69 306</b>	<b>83 435</b>
Inventory	28 208	56 881	42 398	55 778
Receivables	16 778	31 214	21 001	21 788
Financial assets and cash	4 298	22 243	5 555	5 324
<b>Total liabilities + equity</b>	<b>115 954</b>	<b>292 822</b>	<b>147 168</b>	<b>176 634</b>
<b>Equity</b>	<b>56 987</b>	<b>142 227</b>	<b>83 357</b>	<b>93 758</b>
Registered capital	4 334	4 334	5 417	5 417
Capital funds	47 442	50 388	62 717	62 555
Earnings	5 211	87 505	15 223	25 786
<b>Liabilities</b>	<b>58 967</b>	<b>150 595</b>	<b>63 811</b>	<b>82 876</b>
Long-term payables	5 388	35 649	11 066	23 682
Long-term bank loans	7 043	7 375	15 719	6 998
Short-term bank debt	28 359	49 644	11 251	23 922
Short-term payables	18 177	31 668	25 775	28 274
Other liabilities	0	0	0	0
<b>Working capital</b>	<b>3 129</b>	<b>30 621</b>	<b>32 280</b>	<b>31 239</b>
<b>Consol. Cash Flow Statement (in thousand BGN)</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Net income</b>	<b>706</b>	<b>10 253</b>	<b>5 065</b>	<b>5 576</b>
Depreciation	5 428	12 672	5 978	5 829
Changes in Working capital	1 539	27 492	25 065	621
Other operating cash flow items	(1 943)	(37 926)	(30 249)	(19 660)
<b>Net cash from operating activities</b>	<b>5 730</b>	<b>12 491</b>	<b>5 859</b>	<b>(7 634)</b>
Capital expenditures	(5 166)	(10 005)	(5 192)	(15 065)
Other investing cash flow items	713	2 020	797	18 545
<b>Net cash from investing activities</b>	<b>(4 453)</b>	<b>(7 985)</b>	<b>(4 395)</b>	<b>3 480</b>
Issuance/ Retirement of Stock, Net	0	608	9 746	0
Issuance/ Retirement of Debt, Net	754	8 346	(9 775)	3 737
Dividends paid	0	(219)	(1 069)	0
Other financing cash flow items	17	11	0	0
<b>Net cash from financing activities</b>	<b>771</b>	<b>8 746</b>	<b>(1 098)</b>	<b>3 737</b>
<b>Net change in cash</b>	<b>2 048</b>	<b>13 252</b>	<b>366</b>	<b>(417)</b>
Beginning-of-period cash	2 250	4 298	5 185	5 741
<b>End-of-period cash</b>	<b>4 298</b>	<b>17 550</b>	<b>5 551</b>	<b>5 324</b>
<b>Cash per share</b>	<b>0.99</b>	<b>4.05</b>	<b>1.02</b>	<b>0.98</b>
<b>Number of shares-end period</b>	<b>4 333 928</b>	<b>4 333 928</b>	<b>5 416 829</b>	<b>5 416 829</b>
<b>Average outstanding shares</b>				
<b>Price in BGN - period end:</b>	<b>3.30</b>	<b>6.13</b>	<b>17.47</b>	<b>21.00</b>
<b>Market cap in BGN (period end):</b>	<b>14 301 962</b>	<b>26 566 979</b>	<b>94 632 003</b>	<b>113 753 409</b>

Financial and Performance Indicators	2004	2005	2006	2007
<b>Valuation Ratios</b>				
Price/Earnings (P/E)	20.26	2.59	18.68	20.40
Book Value	13.15	32.82	15.39	17.31
Price/Book (P/B)	0.25	0.19	1.14	1.21
Sales Per Share	44.52	70.39	53.12	54.14
Price/Sales (P/S)	0.07	0.09	0.33	0.39
Price/Cash flow	2.33	1.16	8.57	9.97
EV (in thousand BGN)	45 406	43 491	116 047	147 220
EV/Sales	0.24	0.14	0.40	0.50
EV/EBITDA	5.23	1.39	7.93	9.40
EV/EBIT	13.98	2.34	13.40	14.97
<b>Liquidity</b>				
Current ratio	1.07	1.38	1.87	1.60
Quick ratio	0.46	0.68	0.73	0.53
<b>Debt Management</b>				
Debt to total assets	50.9%	51.4%	43.4%	46.9%
Interest coverage	1.38	3.56	3.21	2.70
LT Debt/Equity	21.8%	30.3%	32.1%	32.7%
Total Debt/Equity	103.5%	105.9%	76.6%	88.4%
<b>Asset Management</b>				
Inventory turnover	6.84	5.36	6.79	5.26
Days sales outstanding	31	37	26	27
Fixed asset turnover	2.91	1.69	3.70	3.15
Total asset turnover	1.66	1.04	1.96	1.66
<b>Profitability</b>				
Profit margin on sales	0.4%	3.4%	1.8%	1.9%
EBITDA Margin	4.5%	10.2%	5.1%	5.3%
Basic earning power	2.8%	6.3%	5.9%	5.6%
Return on assets	0.6%	3.5%	3.4%	3.2%
Return on equity	1.2%	7.2%	6.1%	5.9%
Return on investments	1.0%	5.5%	4.6%	4.5%
<b>Dividend Information</b>				
Dividend Yield	n/a	n/a	n/a	n/a
Dividend per share (in BGN)	0.00	n/a	n/a	n/a

\*Valuation and profitability ratios are estimated on ttm basis. Other ratios are calculated for the most recent quarter.

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**For more information, please contact:**

Research analyst  
Tsvetoslav Tsachev  
Tamara Becheva

Phone:  
+359 2 810 00 23  
+359 2 810 07 23

E-mail:  
[tsachev@elana.net](mailto:tsachev@elana.net)  
[becheva@elana.net](mailto:becheva@elana.net)

Internet:  
[www.elana.net](http://www.elana.net)  
[www.elana.net](http://www.elana.net)