

BSE Ticker: 5MB  
 Bloomberg: 5MB BU

Stock price: BGN 6.08  
 Market Capitalization: 220 950 000  
 1 year change: +14%  
 1 year price range: 4.00-6.10

Intrinsic value: BGN 13.60  
 Recommendation: Buy  
 Price target: BGN 7.43



### Valuation Ratios

|                                 |             |
|---------------------------------|-------------|
| Enterprise Value                | 270 936 000 |
| Dividend Yield - Gross          | 3.28%       |
| Trailing P/E (ttm)              | 13.34       |
| Forward P/E (2013)              | 6.54        |
| PEG Ratio (1yr expected)        | 1.16        |
| Price/Sales (ttm)               | 1.62        |
| Price/Book (mrq)                | 1.42        |
| Enterprise Value/Revenues (ttm) | 8.68        |

### Profitability and Growth Ratios

|                   |        |
|-------------------|--------|
| Return on Capital | 8.66%  |
| Return on Equity  | 12.20% |
| Return on Assets  | 7.60%  |
| EBITDA Margin     | 16.4%  |
| Net Profit Margin | 8.7%   |
| Revenue Growth    | 7.3%   |
| EPS Growth        | -20%   |
| Capital Growth    | 4.8%   |
| Assets Growth     | 6.8%   |

- Monbat is the largest producer of lead-acid starter and stationary batteries in Bulgaria. Its product range includes batteries for both civil and military applications. The company was established in 1959 in Montana as a self-dependent factory for starter batteries. "PRISTA OIL" – Sofia acquired the company in 1998.
- Monbat's two major export destinations are Poland and Greece. The company gradually shifted from exporting to France and Germany, which collectively took a 34% share of the international activity of the firm. In the domestic market the company realized 8% of the consolidated revenues, which shows that the importance of the domestic market is increasing.
- The profitability is improving during the third quarter of 2012. The rise in material costs as a percentage value of revenues in the second quarter proved to be temporary. The estimate of Monbat for higher revenue is accompanied by an expectation of lower profit.
- Dividend payments were suspended during the economic crisis. Monbat is maintaining the level of payments, but yield increased due to the lower share price. At the moment the dividend yield would be 2.75% if the payment is unchanged.
- PRISTA Oil is the majority owner with 68.51% of the capital. The other large shareholder is Monbat Trading, which is related to the majority owner. Its share in Monbat is 7.06%, whereas the company bought back 6.72% of the capital.
- The stock price of Monbat increased substantially in January. The main driving force was the announcement of forecasts for 2013, although the positive market trend also supported the stock appreciation.
- The comparison the peer group and the sector of producers of electrical equipment showed that Monbat stock is overvalued when using the current financial results. However, the forecasted profit is changing the picture substantially. The discounted cash flows model is also uncovering the high value of Monbat shares due to the solid revenues growth and the good profitability.

### Company Overview

Monbat is the largest producer of lead-acid starter and stationary batteries in Bulgaria. Its product range includes batteries for both civil and military applications. The company was established in 1959 in Montana as a self-dependent factory for starter batteries. "PRISTA OIL" – Sofia acquired the company in 1998.

The Company has a wide range of products including starter batteries, stationary batteries, and solar panel batteries, special batteries for army purposes (produced by both Russian and NATO standards) and locomotive batteries.

Monbat is specialized in the production of the following types of batteries:

- starter batteries;
- stationary batteries;
- locomotives batteries;
- semi-traction batteries;
- batteries for special purposes.

The most profitable product group, however, are starter batteries. Monbat is constantly aiming at increasing the quality of its production and widening its product range at the same time. After the IPO in 2006, Monbat became a public company with 24% free float.

The main production site of Monbat is located in the Northwest Bulgarian town of Montana, where is situated the largest capacity for production of batteries and the currently operating recycling plant. The other production site in Bulgaria is in the Northeast town of Dobrich.

Profit margins in the manufacturing of batteries are low due to worldwide competition. For Monbat to be part of the international markets, the company needs to be price competitive on a global level and the recycling of lead from used batteries is improving profitability. The company expanded its recycling capacities with plants in Serbia and Romania that encompass local markets. As a consequence Monbat provides itself with lead and polypropylene, which together form the bulk of production costs. The firm invests in modern equipment and technologies for recycling and manufacturing, which makes her very competitive in both local and international markets

### Quality and Environment Control

Monbat has been awarded the international certification ISO 9001 for quality management system in 2002. The company is in compliance with AQAP 2110 certificate that contains the NATO requirements for quality. ISO 14001 is the internationally accepted standard that sets out how a company can put in place an effective Environmental Management System. The standard is designed to address the delicate balance between maintaining profitability and reducing environmental impact, which includes every segment of the organization for accomplishing both targets.

In addition, Monbat is in compliance of OHSAS 18001 – the internationally recognized assessment specification for occupational health and safety management systems. It has been developed by leading trading and certification organizations on the basis of international standards and is targeted at a market, which until now has been lacking a single policy measure. OHSAS 18001 has been designed to be compatible with ISO 9001 and ISO 14001, to help meet health and safety obligations in an efficient manner.

### Products

#### Starter Batteries:

The main function of the starter battery is to secure the needed electricity for the starter during engine ignition and to maintain the engine operation for a short period of time. The application of batteries cover the entire range of passenger and commercial vehicles, heavy duty trucks and agricultural machines, operating in normal and harsh environmental conditions. Most car batteries are maintenance-free.

#### Stationary Batteries:

The "MVR" product range has application in telecommunication, industrial UPS and in large transports such as ships and locomotives. They have a compact and are unified with the standards for such use, which makes them compatible with a wide range of industrial systems. The batteries work on 2-,

4-, 6- and 12-Volts, from 50 to 600 Ah. The working life of the batteries is 12 years.

### Semi-traction Batteries:

Used for various applications like small traction, solar systems, cleaning machines, lifting devices and lighting. Batteries are specifically designed for applications requiring a permanent and long lasting supply of electrical energy. They have high resistance to deep and repeated discharge cycles, which guarantees long service life.

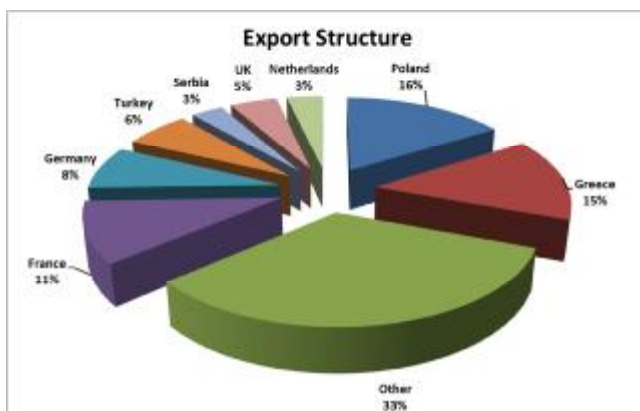
### Special Batteries:

Monbat is producing batteries for military application, suitable for both Russian and NATO designed tanks and armored vehicles, as well as Russian helicopters and airplanes. The batteries are available in polypropylene or flame retardant container/lid.

### Locomotive Batteries:

Locomotives starter batteries are designed for diesel engines initial cranking and to provide electronic and control circuits power supply for electro locomotives. They usually consist of several smaller batteries, connected serially to each other after being installed in the corresponding machinery. The batteries are designed and constructed in a way that highly increases their shock and vibration resistance.

### Market Structure

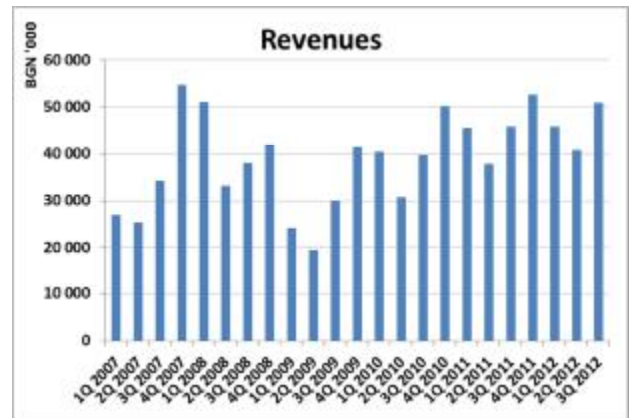


\*Sales during the first nine months of 2012

Monbat's two major export destinations are Poland and Greece. The company gradually shifted from exporting to France and Germa-

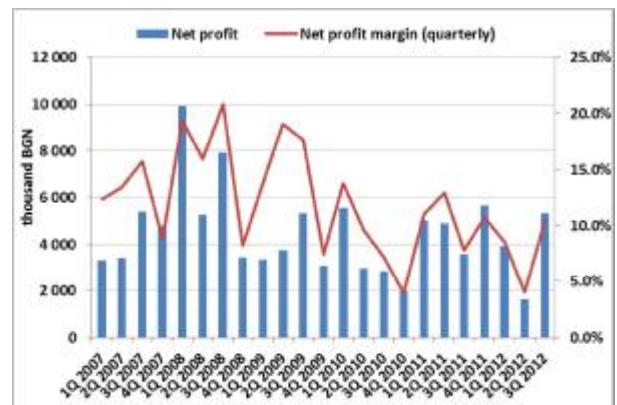
ny, which collectively took a 34% share of the international activity of the firm. In the domestic market the company realized 8% of the consolidated revenues, which shows that the importance of the domestic market is increasing.

### Financial Analysis



\*consolidated data

The considerable change in geographical structure of revenues leads to a slowdown of the growth in revenue. The underlying reason can be found within Europe's declining economies, but the shifting of market positions is not only based on the contraction of consumption. During the final quarter of 2012 there is a considerable rise in revenues according to monthly statements released by Monbat. The geographical sales distribution will show whether the company is going back to the German and French markets, which will be a good sign for the high growth estimates for 2013.



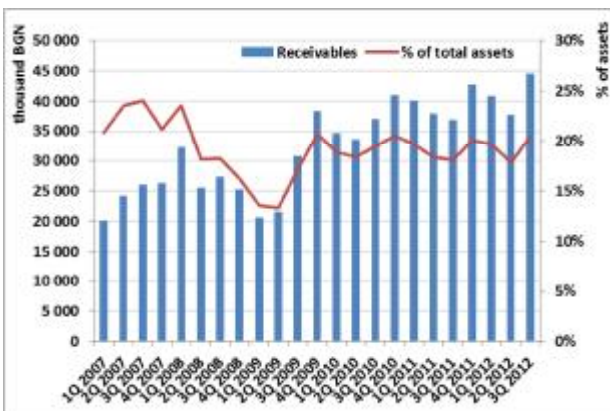
\* consolidated data

The profitability is improving during the third quarter of 2012. The rise in material costs as a percentage value of revenues in the second quarter proved to be temporary. The estimate of Monbat for higher revenue is accompanied by an expectation of lower profit. In 2010 the same scenario occurred, where sales increased, profitability was lower initially and increased afterwards.

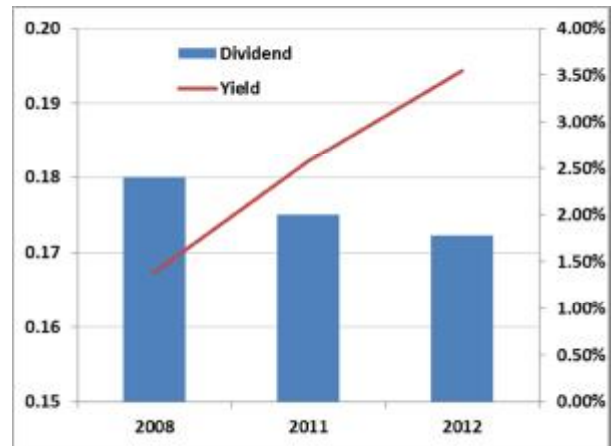
Depreciation costs are rising on a permanent basis and are now in the range of 5 to 6 per cent of sales.

Debt increased to 40% of equity, whereas the debt-to-equity ratio has not changed considerably since 2009. The rising production capacity and the substantial investments of the company are the reason behind the increase in debt. The firm has no problems with servicing their bank loans.

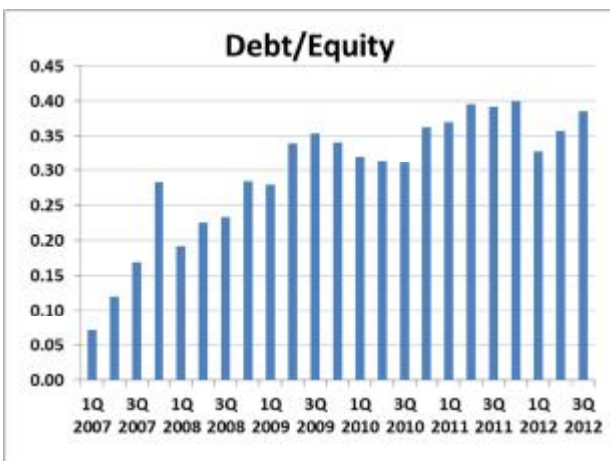
### Dividend Payments



Receivables are stable and are growing together with the assets of the company. This shows a good model for sales as they increase in individual countries.



Dividend payments were suspended during the economic crisis. Monbat is maintaining the level of payments, but yield increased due to the lower share price. At the moment the dividend yield would be 2.75% if the payment is unchanged.



### Multiples Analysis

*Table 1  
Multiples  
comparison*

|                       | 2010        | 2011        | 12M         | 2013F       |
|-----------------------|-------------|-------------|-------------|-------------|
| Last Price            | 6.30        | 5.25        | 6.08        | 6.08        |
| Number of Shares      | 37 325 585  | 36 743 111  | 36 370 264  | 36 370 264  |
| Market Capitalization | 235 151 186 | 192 901 333 | 220 949 354 | 220 949 354 |
| Net Profit            | 13 324 000  | 19 156 000  | 16 560 000  | 33 773 000  |
| P/E                   | 17.65       | 10.07       | 13.34       | 6.54        |
| Equity                | 126 426 000 | 135 063 000 | 136 637 000 | -           |
| P/B                   | 1.86        | 1.43        | 1.62        | -           |
| Sales                 | 160 994 000 | 182 078 000 | 190 249 000 | 283 331 000 |
| P/S                   | 1.46        | 1.06        | 1.16        | 0.78        |
| EV                    | 269 610 186 | 237 018 333 | 270 936 354 | 270 936 354 |
| EBITDA                | 24 106 000  | 33 141 000  | 31 231 000  | 44 761 000  |
| EV/EBITDA             | 11.18       | 7.15        | 8.68        | 6.05        |
| RoE                   | 10.54%      | 14.18%      | 12.12%      | -           |
| RoA                   | 7.18%       | 8.97%       | 7.60%       | -           |

Source: Monbat  
Calculations: ELANA Trading

The valuation ratios of Monbat, using consolidated data as of September 2012, are higher than the market averages. The rise in share price increased their values, but the financial data of the company is relatively weak and do not include the good result during the fourth quarter. P/E is currently over 13 and EV/EBITDA is 8.7. In contrast, Monbat's estimates for 2013 show a significant improvement in the valuation ratios, which also reflected on the share price during January. Achieving the estimates would mean that the two profit-related multiples will fall to extremely low levels and will support the rise in share price.

### Peers Comparison

We compare Monbat with producers of stationary and car batteries. Their numbers are very limited. The table presents share price of Monbat compared with average company indicators, where for EV/EBITDA we use the median value, to exclude the outlying value of Thai Storage. The average share price with current results is 3.94 BGN, but when including the estimates for 2013 we calculate it as 6.58 BGN, but without accounting for the risk of not achieving the estimates and without discounting future revenues and profits.

*Table 2  
Comparison  
to peer group*

|                                   | P/E   | P/B  | P/S  | EV/EBITDA |
|-----------------------------------|-------|------|------|-----------|
| NIPRESS                           | 6.79  | 0.46 | 0.12 | 4.69      |
| GS YUASA CORP                     | 10.81 | 1.18 | 0.48 | 7.66      |
| THAI STORAGE BAT                  | 0.00  | 1.06 | 0.27 | 84.56     |
| MUTLU AKU                         | 3.93  | 0.98 | 0.75 | 8.06      |
| JOHNSON CONTROLS                  | 12.49 | 1.79 | 0.51 | 10.95     |
| Share price of Monbat - trailing  | 3.87  | 4.11 | 2.23 | 5.54      |
| Share price of Monbat - forecasts | 7.90  |      | 3.32 | 8.54      |

Source: Monbat  
Calculations: ELANA Trading

Using only a few competitors to represent the sectors has the risk of containing considerable bias in the data due to the small sample. The difference in the valuation of Monbat when using the whole industry of electrical equipment producers is about 1 BGN in favor of the larger sample. We believe that this valuation method is more justified, taking into account the state of the wider industry sector or the market as a whole.

**Table 3**  
**Industry comparison**

| Multiples                           | P/E         | P/B         | P/S         | EV/EBITDA   |
|-------------------------------------|-------------|-------------|-------------|-------------|
| Median                              | 15.42       | 1.10        | 0.59        | 7.97        |
| Market Capitalization               | 255 349 950 | 149 826 160 | 112 135 234 | 198 777 815 |
| Price                               | 7.02        | 4.12        | 3.08        | 5.47        |
| Weight                              | 25%         | 25%         | 25%         | 25%         |
| Current Price                       | 6.08        |             |             |             |
| Fair Price                          | 4.92        |             |             |             |
| Premium (Discount) to Current Price | -18.98%     |             |             |             |

Source: Monbat  
Calculations: ELANA Trading

### Discounted Cash Flows

The discounted cash flows method is a good indicator for the future development of the company. Monbat is not dependent on the contracting domestic market, but the sales abroad are very dynamic. The expansion into Serbia and Romania lowers the resource dependency and leads to a better rate of return.

**Table 4, Discounted cash flows**

| <b>Monbat</b>            |         |        |        |        |                    |        |        |        |        |        |        | <b>Terminal</b> |
|--------------------------|---------|--------|--------|--------|--------------------|--------|--------|--------|--------|--------|--------|-----------------|
| BGN'000                  | 2013    | 2014   | 2015   | 2016   | 2017               | 2018   | 2019   | 2020   | 2021   | 2022   | Year   |                 |
| EBIT                     | 29 178  | 33 320 | 40 507 | 44 558 | 49 014             | 52 935 | 56 640 | 60 039 | 63 041 | 65 562 | 67 857 |                 |
| EBIT(1-T)                | 26 260  | 29 988 | 36 457 | 40 102 | 44 112             | 47 641 | 50 976 | 54 035 | 56 737 | 59 006 | 61 071 |                 |
| Add: D&A                 | 15 583  | 17 453 | 19 373 | 21 310 | 23 441             | 25 317 | 27 089 | 28 714 | 30 150 | 31 356 | 32 453 |                 |
| Less: Investments        | 18 417  | 20 626 | 22 895 | 23 248 | 25 572             | 27 618 | 29 551 | 28 714 | 30 150 | 31 356 | 32 453 |                 |
| Less: Change NWC         | 14 921  | 5 440  | 5 585  | 5 636  | 6 199              | 5 455  | 5 155  | 4 728  | 4 177  | 3 508  | 3 304  |                 |
| FCF                      | 8 506   | 21 374 | 27 349 | 32 529 | 35 782             | 39 884 | 43 358 | 49 307 | 52 560 | 55 498 | 57 767 |                 |
| PV FCF                   | 7 732   | 17 665 | 20 548 | 22 218 | 22 218             | 22 514 | 22 250 | 23 002 | 22 291 | 21 397 |        |                 |
| Sum of PV FCF            | 201 833 |        |        |        |                    |        |        |        |        |        |        |                 |
| PV of Continuing Value   | 342 641 |        |        |        |                    |        |        |        |        |        |        |                 |
| Total PV Free Cash Flows | 544 474 |        |        |        |                    |        |        |        |        |        |        |                 |
|                          |         |        |        |        | <b>Growth Rate</b> |        |        |        |        |        |        |                 |
|                          |         |        |        |        | SA                 | 2.0%   | 3.0%   | 3.5%   | 4.0%   | 5.0%   |        |                 |
| Less: Outstanding Debt   | 54 541  |        |        |        | 8.0%               | 17.08  | 19.53  | 21.17  | 23.21  | 29.34  |        |                 |
| Plus: Financial Assets   | 4 554   |        |        |        | 9.0%               | 14.07  | 15.67  | 16.68  | 17.90  | 21.26  |        |                 |
| PV of Equity             | 494 487 |        |        |        | 10.0%              | 11.83  | 12.92  | 13.60  | 14.38  | 16.42  |        |                 |
| Number of Shares         | 36 370  |        |        |        | 11.0%              | 10.10  | 10.88  | 11.35  | 11.88  | 13.21  |        |                 |
| Price Per share          | 13.60   |        |        |        | 12.0%              | 8.73   | 9.30   | 9.64   | 10.01  | 10.93  |        |                 |

Estimations: ELANA Trading

We use the forecasted data for 2013 as a base for the model. The management of Monbat normally gives more conservative estimates and we have reason to believe that the company has no problem with achieving their goals throughout the year if there are no extraordinary events. For the period after 2013 we consider slower growth of revenues and higher profitability in accordance with the estimates for this year. Similarly in 2010 there was a growth in revenues and a decrease in the rate of return, followed by improvement in profitability. The model includes higher investment in comparison to the yearly depreciation rate, but the difference does not have a great effect on the share price.

The intrinsic value according to the discounted cash flows method is BGN

13.60. This is considerably more than the current market prices and reflects the growth potential of the company together with solid return for shareholders. Even when using a higher discount rate and lower growth rate the fair price is higher than the market.

### Recommendation and Price Target

**Recommendation:** The valuation from the discounted cash flows method shows a relatively high share price. This is the reason for the BUY recommendation and to hold the stock in the long run. The company will probably be paying out dividends regularly and we expect that financial results will exploit the global recovery.

**BUY**

**Price target:** For a price target during the next 12 months we use the forecasted net profit for 2013 and expected P/E ratio of 8. The shares of Monbat are normally traded at higher levels for the multiple. The rather limited potential for share price growth in compliance with our price target is due to two factors:

**BGN 7.43**

**Upside:**

- the growth of the price in the last six months
- the seasonality in the company's activities, where we expect the best results towards the end of 2013

Monbat's shares are one of the few on the Bulgarian market that combine the advantages of low risk for capital investments together with growth perspectives. They will once again prove to be a good investment in 2013.

---

### Финансови данни

| Statement of Income (in '000 BGN)    | 2008          | 2009          | 2010          | 2011          | 3Q 2012       |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Sales                                | 163 981       | 114 994       | 160 994       | 182 078       | 137 507       |
| Production expenses                  | 117 093       | 80 959        | 125 420       | 134 173       | 105 679       |
| Personnel expenses                   | 12 765        | 10 720        | 11 971        | 14 656        | 9 924         |
| Net income from financial activities | 437           | (275)         | (99)          | (116)         | (694)         |
| Other revenues and expenses          | 0             | 0             | 0             | 8             | 430           |
| <b>EBITDA</b>                        | <b>34 560</b> | <b>23 040</b> | <b>23 504</b> | <b>33 141</b> | <b>21 640</b> |
| Depreciation                         | 4 108         | 4 796         | 6 111         | 8 718         | 7 694         |
| <b>EBIT</b>                          | <b>30 452</b> | <b>18 244</b> | <b>17 393</b> | <b>24 423</b> | <b>13 946</b> |
| Interest expense                     | 1 545         | 1 559         | 2 279         | 2 841         | 1 974         |
| Pretax income                        | 28 907        | 16 685        | 15 114        | 21 582        | 11 972        |
| Taxes                                | 3 157         | 1 921         | 2 484         | 2 529         | 1 245         |
| After-tax income                     | 25 750        | 14 764        | 12 630        | 19 053        | 10 727        |
| Minority interest                    | 86            | 96            | (152)         | (103)         | 0             |
| <b>Net income</b>                    | <b>25 664</b> | <b>14 668</b> | <b>12 782</b> | <b>19 156</b> | <b>10 727</b> |
| <b>Earnings per share in BGN</b>     | <b>0.66</b>   | <b>0.39</b>   | <b>0.34</b>   | <b>0.52</b>   | <b>0.29</b>   |

| Balance Sheet (in '000 BGN)       | 2008           | 2009           | 2010           | 2011           | 3Q 2012        |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Total Assets</b>               | <b>154 721</b> | <b>184 815</b> | <b>199 717</b> | <b>213 441</b> | <b>217 881</b> |
| Equity subscriptions receivable   | 0              | 0              | 0              | 0              | 0              |
| <b>Fixed assets</b>               | <b>89 491</b>  | <b>99 333</b>  | <b>114 187</b> | <b>125 569</b> | <b>125 858</b> |
| Tangible fixed assets             | 88 923         | 98 596         | 110 739        | 121 918        | 121 810        |
| Financial investments             | 6              | 8              | 8              | 8              | 8              |
| <b>Current assets</b>             | <b>65 230</b>  | <b>85 482</b>  | <b>85 530</b>  | <b>87 872</b>  | <b>92 023</b>  |
| Inventory                         | 35 035         | 40 894         | 42 624         | 40 836         | 42 605         |
| Receivables                       | 25 176         | 38 367         | 40 972         | 42 735         | 44 570         |
| Financial assets                  | 0              | 0              | 0              | 0              | 0              |
| Cash and cash equivalents         | 4 634          | 5 840          | 1 634          | 4 108          | 4 554          |
| <b>Total liabilities + equity</b> | <b>154 721</b> | <b>184 815</b> | <b>199 717</b> | <b>213 441</b> | <b>217 881</b> |
| <b>Equity</b>                     | <b>105 516</b> | <b>117 460</b> | <b>126 426</b> | <b>135 063</b> | <b>136 637</b> |
| Registered capital                | 38 533         | 37 950         | 37 326         | 36 858         | 36 377         |
| Capital funds                     | 41 632         | 65 307         | 78 196         | 83 187         | 82 582         |
| Earnings                          | 25 351         | 14 203         | 10 904         | 15 018         | 17 678         |
| <b>Liabilities</b>                | <b>49 205</b>  | <b>67 355</b>  | <b>73 291</b>  | <b>78 378</b>  | <b>81 244</b>  |
| Long-term payables                | 5 106          | 4 358          | 4 747          | 18 181         | 8 023          |
| Long-term bank loans              | 21 447         | 22 195         | 17 647         | 13 461         | 11 322         |
| Short-term bank debt              | 8 848          | 18 104         | 28 104         | 40 286         | 41 361         |
| Short-term payables               | 14 384         | 21 684         | 19 869         | 16 504         | 16 911         |
| Other liabilities                 | 0              | 0              | 266            | 670            | 1 356          |
| <b>Working capital</b>            | <b>41 998</b>  | <b>45 694</b>  | <b>37 557</b>  | <b>31 082</b>  | <b>33 751</b>  |

| Cash Flow Statement (in '000 BGN)         | 2008            | 2009            | 2010            | 2011            | 3Q 2012        |
|---|-----------------|-----------------|-----------------|-----------------|----------------|
| <b>Net income</b>                         | <b>25 664</b>   | <b>14 668</b>   | <b>12 782</b>   | <b>19 156</b>   | <b>10 727</b>  |
| Depreciation                              | 4 108           | 4 796           | 6 111           | 8 718           | 7 694          |
| Changes in Working capital                | (16 285)        | 3 696           | (8 137)         | (6 475)         | 2 669          |
| Other operating cash flow items           | 18 735          | (9 502)         | 2 662           | 3 721           | (4 538)        |
| <b>Net cash from operating activities</b> | <b>32 222</b>   | <b>13 658</b>   | <b>13 418</b>   | <b>25 120</b>   | <b>16 552</b>  |
| Capital expenditures                      | (25 899)        | (11 687)        | (15 877)        | (19 518)        | (4 113)        |
| Other investing cash flow items           | (1 207)         | (5 442)         | (2 318)         | (3 042)         | (4 274)        |
| <b>Net cash from investing activities</b> | <b>(27 106)</b> | <b>(17 129)</b> | <b>(18 195)</b> | <b>(22 560)</b> | <b>(8 387)</b> |
| Issuance/ Retirement of Stock, Net        | (3 671)         | (2 724)         | (1 830)         | (3 039)         | (2 440)        |
| Issuance/ Retirement of Debt, Net         | 4 362           | 9 914           | 5 458           | 8 637           | (1 073)        |
| Dividends paid                            | (3 252)         | (50)            | (130)           | (1 821)         | (1 323)        |
| Other financing cash flow items           | (3 855)         | (2 463)         | (2 927)         | (3 863)         | (2 883)        |
| <b>Net cash from financing activities</b> | <b>(6 416)</b>  | <b>4 677</b>    | <b>571</b>      | <b>(86)</b>     | <b>(7 719)</b> |
| <b>Net change in cash</b>                 | <b>(1 300)</b>  | <b>1 206</b>    | <b>(4 206)</b>  | <b>2 474</b>    | <b>446</b>     |
| Beginning-of-period cash                  | 5 934           | 4 634           | 5 840           | 1 634           | 4 108          |
| <b>End-of-period cash</b>                 | <b>4 634</b>    | <b>5 840</b>    | <b>1 634</b>    | <b>4 108</b>    | <b>4 554</b>   |
| <b>Cash per share</b>                     | <b>0.12</b>     | <b>0.15</b>     | <b>0.04</b>     | <b>0.11</b>     | <b>0.12</b>    |



| Financial and Performance Indicators   | 2008        | 2009        | 2010        | 2011        | 3Q 2012     |
|--|-------------|-------------|-------------|-------------|-------------|
| <b>Valuation Ratios</b>                |             |             |             |             |             |
| Price/Earnings (P/E)                   | 7.22        | 16.82       | 18.40       | 10.17       |             |
| Book Value (BV)                        | 2.71        | 3.10        | 3.39        | 3.64        |             |
| Price/Book (P/B)                       | 1.76        | 2.10        | 1.86        | 1.44        |             |
| Sales Per Share                        | 4.20        | 3.03        | 4.31        | 4.91        |             |
| Price/Sales (P/S)                      | 1.13        | 2.15        | 1.46        | 1.07        |             |
| Price/Cash per share                   | 6.22        | 12.67       | 12.45       | 6.99        |             |
| EV (in BGN)                            | 210 911     | 281 133     | 279 268     | 244 388     |             |
| EV/Sales                               | 1.29        | 2.44        | 1.73        | 1.34        |             |
| EV/EBITDA                              | 6.10        | 12.20       | 11.88       | 7.37        |             |
| EV/EBIT                                | 6.93        | 15.41       | 16.06       | 10.01       |             |
| <b>Liquidity</b>                       |             |             |             |             |             |
| Current ratio                          | 2.81        | 2.15        | 1.78        | 1.55        | 1.58        |
| Quick ratio                            | 1.30        | 1.12        | 0.89        | 0.83        | 0.85        |
| <b>Debt Management</b>                 |             |             |             |             |             |
| Debt to total assets                   | 0.32        | 0.36        | 0.37        | 0.37        | 0.37        |
| Interest coverage                      | 19.71       | 11.70       | 7.63        | 8.60        | 7.06        |
| LT Debt/Equity                         | 0.25        | 0.23        | 0.18        | 0.23        | 0.14        |
| Total Debt/Equity                      | 0.47        | 0.57        | 0.58        | 0.58        | 0.59        |
| <b>Asset Management</b>                |             |             |             |             |             |
| Inventory turnover                     | 4.68        | 2.81        | 3.78        | 4.46        |             |
| Days sales outstanding                 | 55          | 120         | 92          | 84          |             |
| Fixed asset turnover                   | 1.83        | 1.16        | 1.41        | 1.45        |             |
| Total asset turnover                   | 1.06        | 0.62        | 0.81        | 0.85        |             |
| <b>Profitability</b>                   |             |             |             |             |             |
| Profit margin on sales                 | 15.7%       | 12.8%       | 7.9%        | 10.5%       | 7.8%        |
| EBITDA margin                          | 21.1%       | 20.0%       | 14.6%       | 18.2%       | 15.7%       |
| Basic earning power                    | 19.7%       | 9.9%        | 8.7%        | 11.4%       | 6.4%        |
| Return on assets                       | 16.6%       | 7.9%        | 6.4%        | 9.0%        | 4.9%        |
| Return on equity                       | 24.3%       | 12.5%       | 10.1%       | 14.2%       | 7.9%        |
| Return on investments                  | 19.4%       | 10.2%       | 8.6%        | 11.5%       | 6.9%        |
| <b>Dividend Information</b>            |             |             |             |             |             |
| Dividend Yield                         | 3.75%       | 2.74%       | 2.78%       | 3.28%       | -           |
| Dividend per share                     | 0.18        | 0.18        | 0.18        | 0.17        | -           |
| <b>Number of shares:</b>               |             |             |             |             |             |
|  | 39 000 000  | 37 949 857  | 37 325 585  | 37 095 139  | 36 573 785  |
| <b>Price in BGN - period end:</b>      |             |             |             |             |             |
|  | 4.75        | 6.50        | 6.30        | 5.25        | 4.90        |
| <b>Market cap in BGN - period end:</b> |             |             |             |             |             |
|  | 185 250 000 | 246 674 071 | 235 151 186 | 194 749 480 | 179 211 547 |

### Disclaimer

**Analyst Certification:** The research analyst(s) certifies that: (1) all of the views expressed in this document accurately reflect his or her personal views about any and all of the subject securities or issuers; (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this document.

**Financial Interest:** ELANA Trading may trade or own shares of the analyzed companies. The research analyst(s) is not holding shares of the analyzed companies, unless otherwise noted.

**Regulatory Authority:** Financial Supervisory Commission, *Shar Planina* Street 33, 1303 Sofia, Bulgaria

**Information Disclosure:** All reasonable care has been taken to ensure the facts stated are accurate and opinions given are fair and reasonable. Our recommendations are based on information available to the public that we consider to be reliable but for the completeness and accuracy of which we assume no liability. Neither ELANA Trading, nor its directors, officers or employees shall in any way be responsible for its contents. The views expressed may differ from the views of other firm departments or representatives. Additional information is available upon request. Unless otherwise noted, sources for all information in charts and tables are ELANA Trading's calculations.

**Risks for Investors:** Information in this document should not be regarded as an offer to buy or sell any financial instruments. The investment possibilities discussed in this document may not be suitable for certain investors depending on their specific investment objectives and time horizon or in the context of their overall financial situation. In particular, the risks associated with an investment in the securities or the financial instruments under discussion are not explained in its entirety.

The prices or values of the securities may go down as well as up and can fluctuate and fall against the investor. The securities or investments may cause the investor to lose the amount invested. Past performance is not a guide to future performance. Changes in exchange rates may have an adverse effect on the value, price or income of the securities or investments.

**Valuation Methods:** Company valuations are based on the following methods: multiple-based (P/E, P/B, EV/EBITDA), historical valuation approaches, peer comparisons, discount models (DCF, DDM) or asset-based evaluation methods. Valuation models are dependent on macroeconomic factors, including interest rates, foreign exchange rates, prices of raw materials, and any expectations about the economy, the market sentiment. The valuation is based on expectations that might change rapidly and without notice, depending on developments specific to individual industries and countries. Recommendations and target prices derived from the models might therefore change accordingly. The application of models depends on forecasts of a range of economic variables, thus there is a range of reasonable variations within models. Any valuation is dependent upon inputs that are based on the subjective opinion of the analysts carrying out this valuation.

**Recommendations:** Analyst(s) recommendations are based on the specific factors for the company, sector, country and global developments, as compared to market indices. Recommendations and opinions reflect ELANA Trading's expectations over the 12-month period following publication from the perspective of long-only investment clients. ELANA Trading reserves the right to express different or contrary recommendations and opinions for different timescales or for other types of investment client. Except as otherwise noted, expected performance over next 12 months vary for different recommendations for Bulgarian stocks as follows:

|             |   |
|-------------|---|
| <b>BUY</b>  | More than 5% higher as compared to SOFIX and BG40 performance |
| <b>HOLD</b> | Market performance, +/-5% as compared to SOFIX and BG40       |
| <b>SELL</b> | More than 5% lower as compared to SOFIX and BG40 performance  |

**Frequency of Recommendations:** No schedule of recommendations is available. The frequency of recommendations depends on specific factors to individual companies and the opinion of the analyst(s) for the necessity of minor or major changes.

**Copyrights:** The copyrights of ELANA Trading analyses belong to the Research Department of the brokerage and their content cannot be used for commercial purposes. Replication and redistribution of ELANA Trading analyses content is expressly prohibited without the prior written consent of the appointed contacts listed below.

### For more information, please contact:

Research analyst  
Tsvetoslav Tsachev  
Tamara Becheva

Phone:  
+359 2 810 00 23  
+359 2 810 00 27

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)