

# HERTI

## INDUSTRY: CONTAINERS AND PACKAGING

### PROSPECTS FOR GROWTH

**PRODUCER OF BOTTLE CAPS FOR ALCOHOLIC AND NON-ALCOHOLIC BEVERAGES. HERTI IS A SUPPLIER FOR LEADING COMPANIES ALL OVER THE WORLD AND HAS STRONG PRESENCE IN EUROPE. THE CHANGES IN CONSUMER BEHAVIOR AND THE GROWTH OF CONSUMPTION IN EASTERN EUROPE SHOULD STIMULATE DEMAND OF BEVERAGES THAT WILL LEAD TO INCREASE OF REVENUES FOR THE COMPANY.**

#### SPECIALIZED COMPANY IN THE PACKAGING SECTOR

Herti is leading producer of bottle caps for various bottling companies world-wide. The product portfolio of the Bulgarian company constitutes of caps at more than 40 sizes that Herti sells to clients in 50 countries. Revenues from export markets represented 84% of total sales. Main markets are EU countries and Russia. The expectations for the forthcoming year are positive. Eastern Europe should become the driver for growth.

#### GROWTH PERSPECTIVES IN THE SECTOR

The production of packages should follow the positive trend of larger consumption in developing countries, whereas the changes in consumers' behavior would support revenues in developed markets. The consumption of wine is expected to increase, while wineries are switching from traditional cork to aluminum caps to benefit from lower costs. The change of consumption of non-alcoholic beverages in developed countries is from soft-drinks to natural and organic products.

#### INVESTMENT POLICY

Herti implements large investment program during the past several years, including through various EU programs for financing the competitiveness of Bulgarian companies. It increased capacity and new product creation. Herti considers the new lines of bottle caps for wine and mineral water as primary source of growth.

#### ALUMINUM AS PRIMARY COST

The production costs of Herti depend on the price of aluminum. The price increase of the metal during the past few months presents a limitation on the improvement of profit that the company has been experiencing. We expect that the growth of revenues will compensate the pressure that higher material costs are providing on the profitability.

**VALUATION:** We value the company based on the discounted cash flows. This method presents better the stock's value as it includes the future financial performance. We maintain neutral recommendation on the stock due to two reasons. The first is the lack of trading with the stock. The second is a consequence of the value we derive from our model. Results are not substantially better than two years ago, although the improvement in 2014 is sing for further growth.

in kBGN, excl. ratios	2013	2014F	2015F	2016F
REVENUE	30,641	31,254	32,817	35,442
EBITDA	2,517	3,000	3,190	3,452
EBIT	1,106	1,313	1,477	1,666
NET PROFIT	317	539	670	804
EQUITY	12,835	13,374	14,044	14,848
ROE	2.50%	4.12%	4.88%	5.57%
ROA	0.99%	1.54%	1.85%	2.14%
EBITDA MARGIN	8.21%	9.60%	9.72%	9.74%
NET PROFIT MARGIN	1.03%	1.73%	2.04%	2.27%
EPS	0.03	0.04	0.06	0.07
DEBT/EQUITY	1.10	1.07	1.06	1.07
P/E	61.40	36.08	29.06	24.20
P/B	1.52	1.46	1.39	1.31
EV/EBITDA	13.15	11.22	10.60	10.20
DIVIDEND YIELD	-	-	-	-

**HOLD**
**ONE YEAR PRICE TARGET: BGN 1.62**
**CURRENT PRICE: BGN 1.62**

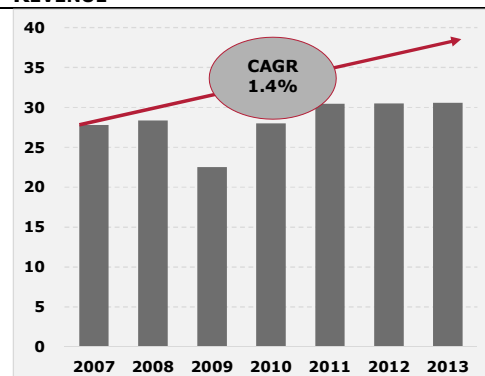
#### EXCHANGE RATES

**EUR/BGN(FIXED): 1.95583**
**USD/BGN: 1.56**

#### MARKET DATA

Shares Outstanding:	<b>12m</b>
Free-float:	<b>1%</b>
Treasury Shares	<b>0%</b>
Market Cap.:	<b>BGN 19.5m</b>
Avg. Daily Vol.:	-
52 Weeks Range:	<b>BGN 1.50-1.62</b>
BSE Ticker	<b>HTV</b>
Bloomberg	<b>HTV BU</b>

#### REVENUE



Source: Herti

## COMPANY OVERVIEW

The main business of Herti is the manufacturing and sale of packaging products, specifically bottle closures. The manufacturing is focused at consumers of different segments of the food industry, but part of the production is targeted at the pharmaceutical sector. Herti produces caps with over 40 different sizes that exports to its clients in over 50 countries around the world. The revenues from abroad represent 84% of total sales, while the main markets are in the European Union and Russia.

*Leading producer of bottle caps that sells 84% abroad*

Herti's business model includes the whole process of production as well as the sell to clients. The company is making market researches in its sector to respond the necessities in different economic sectors. The participation in international trade fairs is the primary tool to attract new clients and to present its products.

The company's holding structure includes five subsidiaries:

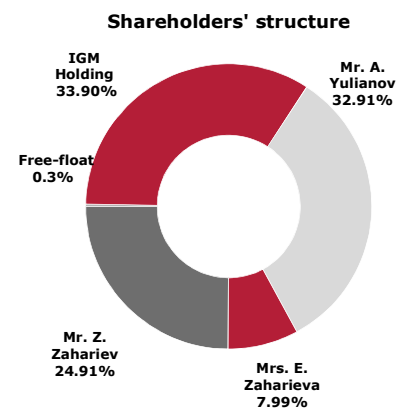
- Tihert JSC – 100% of the capital;
- Herti UK – 100% of the capital;
- Herti France – 100% of the capital;
- Herti Germany – 100% of the capital;
- Herti Group International – 49.00%.

The company also owns 5.6% stake in the first Bulgarian packaging recovery organization – the non-profit company Ecopack Bulgaria. Herti is fulfilling its obligations for separate waste collection and recovery of packaging released on the market in Bulgaria according to the current legislation. Herti is expanding its product portfolio through research and development activities. The company is applying the requirements of the world quality standards and the principles of good corporate management. It is certified under ISO 9001:2008.

## SHAREHOLDERS' STRUCTURE

Shareholders include the Austrian company IGM Holding and physical persons, engaged in the management of the company. The free-float is very low and is below half present of shares.

Number of shares outstanding is 12 013 797.



## POTENTIAL CATALYSTS

**Increase of consumption of beverages:** The economic growth in Europe should be considered as the primary factor for increase of sales of Herti. The higher consumption of beverages is in direct connection with the acceleration of Herti's revenue as the company has higher production capacity in its disposal. However, the positive effects on sales should be expected at least after one year, when leading economies in Europe start to improve.

**Improved profitability in the beverage sector:** Producers of beverages are reporting good profitability. This is more notable in USA where both the economy and the consumption grow steadily. The positive trend of financial results in the sector is expected to continue with more EU companies reporting better profits and rising sales. We expect that packaging producers would also benefit from the improvement market conditions, including the possibility to increase prices of their goods.

**SECTOR OVERVIEW**

**ALCOHOLIC AND NON-ALCOHOLIC BEVERAGES**

The consumption of alcoholic beverages registered a slight decline during the past few years. This process follows the economic stagnation in EU and more notably the low growth of real wages. The consumer behavior remains unchanged and consumption depends only on personal income.

*Stagnation of demand in Europe*

The US market has different trend as compared to EU. The growth of soft-drinks is larger and is due to the demand of organic and natural products. These segments registered 8% increase during the first half of 2014, mainly in terms of volumes sold, whereas the price changes are negligible. The producers are catching the market's attention through various new products.

Africa is considered as the market with the most positive growth perspectives. Food and beverage companies are heavily investing on the continent. Their expectations are supported by the strong GDP growth, a large and young population as well as urbanization trends that portend rising demand for branded consumer goods. Beverage sales may reach USD 152 b in 2018, up 62% from USD 94 b in 2013, according to Euromonitor.

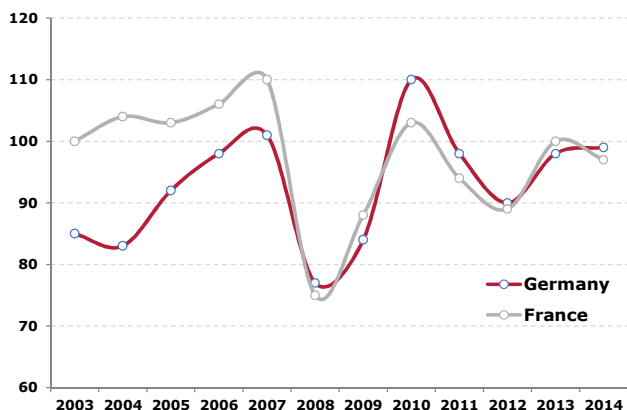
The positive factors this year included a positive summer season, in which improved weather conditions in Europe increased sales, mitigated in part by challenging market conditions in Russia. Many key input costs were easing, including fructose, which supported the price initiatives of producers and improved their profit margins. The consumer confidence in Germany and France stalled this year. The positive news from the sector came from the registered change in consumer behavior. The consumption of alcoholic beverages at home tends to increase, mainly in wine consumption, followed by spirits. Inflation is not a factor that can curb demand in Europe or USA, although price indices in Russia remained at the averages for the previous two years.

*Western Europe will lead by growth*

US spending on non-alcoholic beverages did not increase substantially during the last couple of years despite the strong improvement of consumer confidence. The low growth of population and the change of consumer preferences toward lower consumption of sweet beverages resulted to a stagnation of sales. This trend should replicate in Western Europe in near future during the expected economic recovery. Eastern Europe should experience a better growth due to the lower consumption per capita in the region. Short-term trends point to slow-down in spending in developing countries.

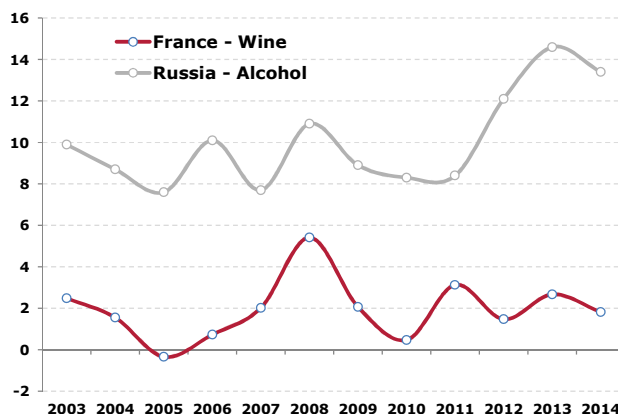
The return on equity of beverage companies declined from 10% in 2010 to 7.8% during the second half of this year. The decrease of ROE was a consequence of the lower revenue and the rising investments. This trend forced large beverage companies to cut costs and might also have negative effect on the demand of packaging products and its prices. The industry forecasts point to acceleration of revenue growth in all segments due to the rising consumption.

Exhibit 1: Consumer confidence levels do not suggest a risk of low beverage consumption in Europe



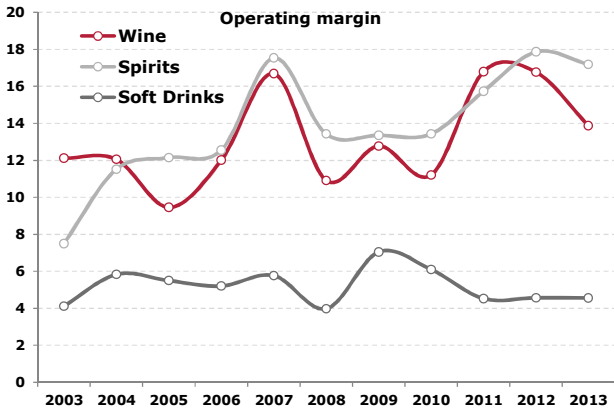
Source: Bloomberg

Exhibit 2: The price indices do not suggest an acceleration of inflation



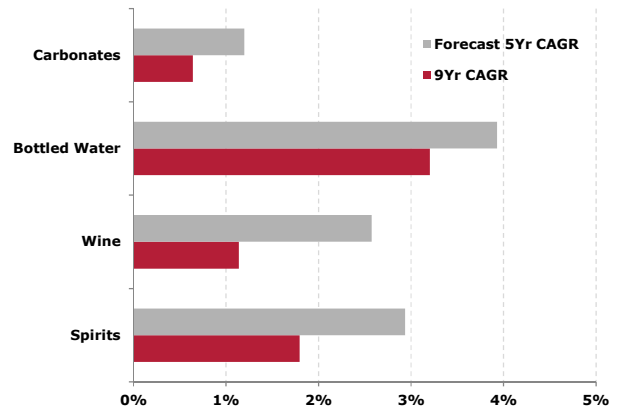
Source: Bloomberg

Exhibit 3: A decline of profit margins forced beverage companies to cut costs



Source: Bloomberg

Exhibit 4: Industry forecasts point to acceleration of revenues growth worldwide



Source: Bloomberg

**HERTI'S OPERATIONS**

The largest part of Herti's revenue comes from the bottle closures for alcoholic beverages. The change during the previous year is small and as of present date the segment accounts for 49% of revenues. Aluminum caps for wine form 28% of sales. During the last couple of years wine producers are actively switching to twist caps due to the now highly priced cork. This trend continues supported by cost optimization programs and rising at-home consumption of alcoholic beverages.

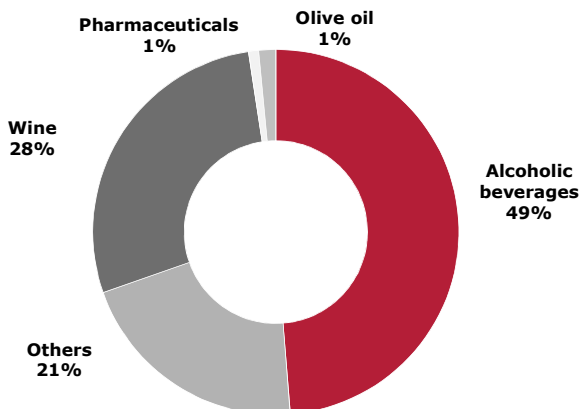
*Higher stake of caps for wine in revenue*

The Bulgarian market represented 16% of total revenue during the first nine months of 2014. Its share is constantly increasing during the past few years. However, the majority of Bulgarian wine producers use cork or polymer caps instead of aluminum closures. The biggest markets for Herti are Russia, United Kingdom and France. The new products for mineral water and wine contributed to the increase of revenues from EU markets this year. The sales to South Africa and America are to wine producers. Herti increased its presence in Australia as the company became the supplier of caps to a large wine producer. Subsidiaries of Herti in France and Germany are expanding their market presence with supplies to existent and new clients.

*Better market positions in France and Germany*

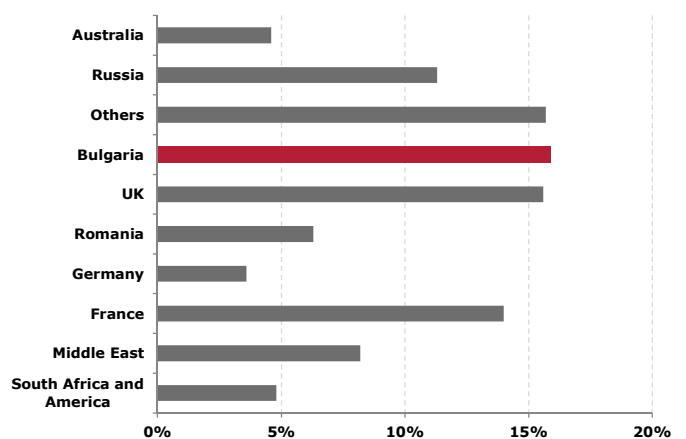
Herti exports specific kind of caps for a client in Russia, which it does not normally manufacture. This is however, at expense of other products as sales of goods reached 10% of total revenues for the last 12 months. The share of sales to Russia declined due to the devaluation of Russian ruble and the competitive disadvantage of Herti's products from the foreign exchange rates. However, the company should recover quickly its market positions after the end of ruble sell-off. On positive note for Herti is also the fact that its production is not under any trade restrictions and should benefit from the lower export from Ukraine to Russia. The aluminum caps are representing 82% of total revenues of Herti.

Exhibit 5: Revenue by market segments



Source: Herti

Exhibit 6: Revenue countries



Source: Herti

Herti expands its decoration options by heat stamping and frontal topography as well as aluminum, PVC-free granulate lining closures for wine bottles. These products lead the global increase of sales. Closures for wine industry are priority for Herti. The company registered the trade mark Vinstar and began operating a new machine for long closures at the beginning of the year. Sales of new products started in February 2014 and are already presented on EU markets.

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#### **INVESTMENT PROGRAM**

Herti increased its production capacity for the caps with the highest demand from customers. The company currently puts into usage new machines for EUR 400 000 to increase capacity of its top line products. The completed investment programs for the last 12 months include ERP system, on which the company received a grant from EU funds for BGN 346 000. The other large completed project was in energy efficiency. The grant totaled BGN 1.2 million and was received in March 2014 on Operational Program "Development of the Competitiveness of the Bulgarian Economy". Herti had contracts for the delivery of equipment. The investment amounts BGN 3.75 million. The company relies on its new products to increase revenues, including bottle closures for mineral water and the products of the Vinstar brand.

*Investments in capacity increase*

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#### **CERTIFICATES FOR QUALITY**

Herti has certificate under the BRC/IOP Global Standard for Packaging and Packaging Materials. This Standard is a product certification designed to protect consumers' rights and help traders to follow the requirements of the EU for good practices. It is applied by suppliers in Europe, Africa, the Middle East, Asia, Australia, North and South America. Herti will have the opportunity of free trade with all the companies in the scheme - Tesco, Sainsbury, Marks&Spencer, Asda, Boots, Safeway, Co-op.

Herti is member of SEDEX – non-profit organization based in London, UK. It is a membership organization for businesses committed to continuous improvement of the ethical performance of their supply chains. SEDEX enables member companies to manage efficiently the ethical and responsible practices of their global supply chains in the field of Labor Standards, Health & Safety, Environment and Business Integrity.

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#### **FINANCIAL ANALYSIS AND VALUATION**

The price of aluminum is the most important factor for Herti's costs and profitability as expenditures for the metal represent half of total for the company. Its share in material costs declined slowly during the first nine months of the year due to the 5% lower average price in euro as compared to the same period of 2013. The aluminum price increase in US dollars is negligible but it is steadily moving higher from this year's bottom. It might have negative impact on Herti's profitability during the second half of 2014. This is our primary concern and main reason to have more conservative forecasts for the last quarter as compared to the beginning of the year. We assume that the rising aluminum price is a sign for recovery of the global economy and therefore it is providing an opportunity to Herti to raise sales in mid-term perspective.

*Material costs are under pressure from rising aluminum price*

The company reported an improvement of profit margins this year due to the lower costs, mainly material costs as other expenditure groups posted increases. Sales were only 1.17% higher on yearly basis since the beginning of 2014.

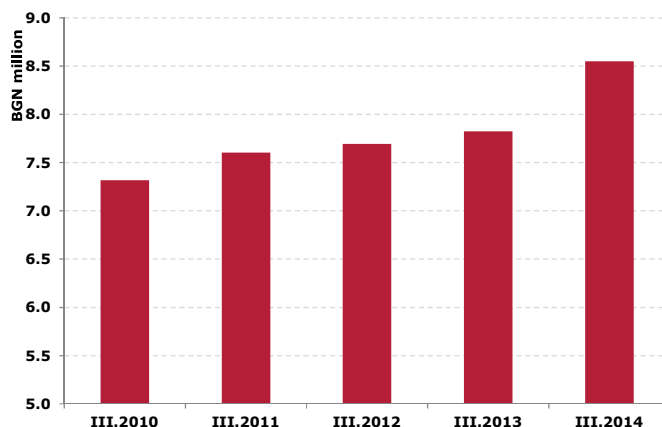
The debt level of Herti rose in 2013, which followed the aggressive investment program. The payment of subsidies from EU funds managed to improve the debt of the company. Herti will continue to increase its capacity and to invest in modernization and energy efficiency. It is not facing any problems servicing its debts.

Exhibit 7: Aluminum price in euro increased substantially during the previous six months



Source: Bloomberg

Exhibit 8: Revenues during the third quarter gained sizably as compared to the previous few years



Source: Herti

The table presents the main multiples of Herti, calculated by the non-consolidated results for the past three years. The ratios based on net profit and EBITDA remain higher than the averages for Bulgarian public listed stocks. The improvement in 2014 was due to the decline of material costs. As the growth of aluminum price again put a pressure on the profit, we don't expect the same improvement to take place in the next two-three quarters. It is unlikely that the price-to-earnings ratio to fell at the average level of Bulgarian industrial stocks.

As the enterprise value is elevated by the debts of Herti, EV/EBITDA is substantially lower and stands at 11. The discounted cash flow model values the company at price levels that coincide with latest quotes.

	2012	2013	TTM	2014E
<b>Last Price</b>	<b>1.50</b>	<b>1.62</b>	<b>1.62</b>	<b>1.62</b>
<b>Number of Shares</b>	12,013,797	12,013,797	12,013,797	12,013,797
<b>Market Capitalization</b>	18,020,696	19,462,351	19,462,351	19,462,351
<b>Net Profit</b>	462,000	317,000	528,000	539,362
<b>P/E</b>	<b>39.01</b>	<b>61.40</b>	<b>36.86</b>	<b>36.08</b>
<b>Equity</b>	12,518,000	12,835,000	13,350,000	13,374,362
<b>P/B</b>	<b>1.44</b>	<b>1.52</b>	<b>1.46</b>	<b>1.46</b>
<b>Sales</b>	30,367,000	30,641,000	31,149,000	31,253,820
<b>P/S</b>	<b>0.59</b>	<b>0.64</b>	<b>0.62</b>	<b>0.62</b>
<b>EV</b>	29,106,696	33,093,351	33,468,351	33,653,751
<b>EBITDA</b>	2,640,000	2,517,000	3,073,000	3,000,367
<b>EV/EBITDA</b>	<b>11.03</b>	<b>13.15</b>	<b>10.89</b>	<b>11.22</b>
<b>ROE</b>	3.76%	2.50%	4.03%	4.12%
<b>ROA</b>	1.54%	0.99%	1.54%	1.54%

**FINANCIAL PERFORMANCE ANALYSIS**

The past three years were marked by very slow growth of revenues due to the stagnation of consumption in developed markets. The latest trends, however, are much more promising: expenditures on wine in Europe are rising and new products of Herti should improve sales. Our forecasts are based on the assumption of positive market conjuncture that should lead to 8% annual growth in 2016. This rate of growth requires consumer confidence to remain elevated, while the consumption of beverages steadily increases. Countries in Eastern Europe would become the primary source for organic growth to beverage industry. Additionally, we expect Herti to increase its presence in EU with its innovative products for wine and mineral water. The production of the new model closure is expected to commence during the first quarter of 2015.

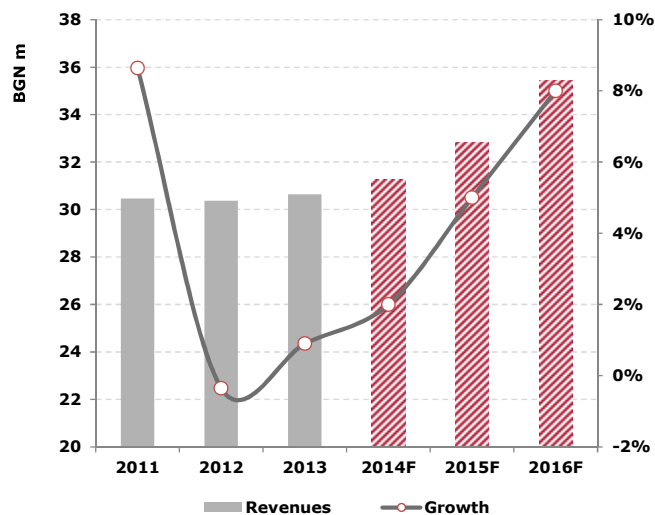
*Growth perspectives*

The profit margin improved since the beginning of the year. The solid increase of aluminum price represents a threat to the profitability in the coming months. We don't expect that EBITDA will exceed 10% threshold next year, although the growth of revenue and the larger production scale should contribute to the decrease of fixed costs.

The depreciation generates the largest part of cash flow from operations. Herti continues to invest at large scale as compared to its current cash inflows from operations, which requires sizable funding. The source of capital is bank loans. The debt-to-equity is high but the company doesn't face any difficulties servicing its loans.

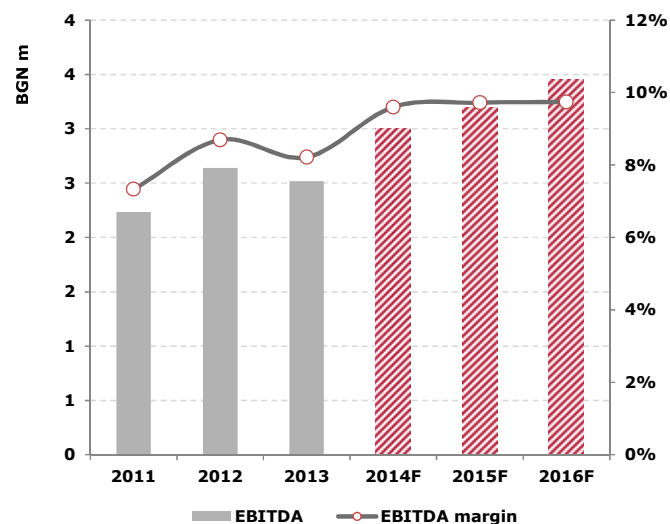
Herti's changes of receivables don't suggest any difficulties with its trading partners. Our model includes also the expectations for gradual increase of inventories that should follow the trend of sales.

Exhibit 9: Positive expectations for revenue due to the global economic growth



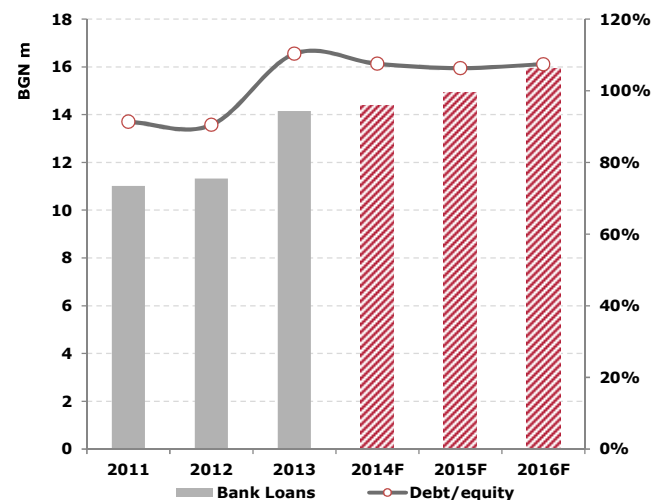
Source: Elana Trading estimates, company data

Exhibit 10: Profitability improved but higher material costs should limit this trend



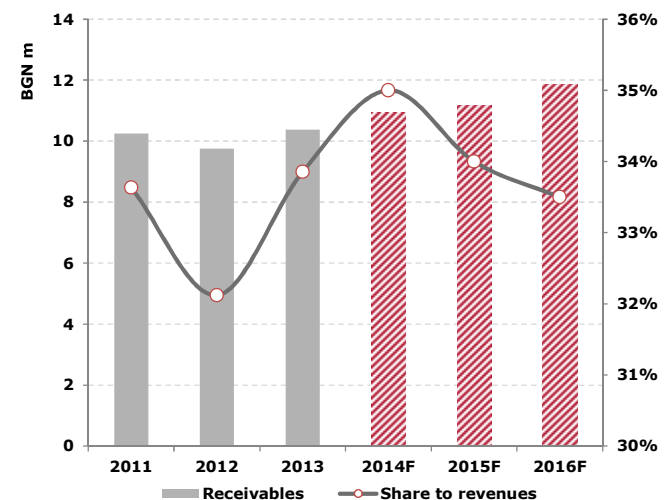
Source: Elana Trading estimates, company data

Exhibit 11: Relatively high debt-to-equity is a consequence of investments



Source: Elana Trading estimates, company data

Exhibit 12: Receivables are not suggesting any difficulties with collection of revenue



Source: Elana Trading estimates, company data

**VALUATION OF HERTI**

The valuation multiples are not representative for the stock price of Herti as the trading is nearly absent. In this case we consider only the cash flows as suitable for the valuation of the company. Our one-year price target is based on the discounted cash flows as they include the important future development of the company rather than focus on the current financial performance. Herti invests in increase of production capacity and new product that should have impact on revenue next year.

*The valuation depends heavily on the return of latest investments*

Our forecasts for the next few years are positive in terms of revenue growth, while we expect that Herti will maintain its EBITDA margin. As mentioned above, forecasts are based on increased price of aluminum due to economic recovery in Europe and acceleration of global growth in 3-year horizon. The effect of growth on operating profit margin should be positive, which lead to gradual increase to 5% in our model.

Herti's interest expenses represent around 5% of loans. We consider this level of interest payment as highly probable for the next two or three years. The company should decrease gradually its loans by repaying the principal. The lower level of debts in the future would contribute to better interest rates on loans for the company. Nevertheless, interest payments would depend mostly on the average interest rates in Bulgaria. The WACC is low due to the high share of loans in the cost of capital.

**DCF ASSUMPTIONS**

BGN'000	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	TERMINAL YEAR
<b>REVENUES</b>	31,254	32,817	35,442	38,986	42,105	45,052	47,755	50,382	52,901	55,017	56,943
<b>GROWTH</b>	2.00%	5.00%	8.00%	10.00%	8.00%	7.00%	6.00%	5.50%	5.00%	4.00%	3.50%
<b>EBIT</b>	1,313	1,477	1,666	1,871	2,105	2,253	2,388	2,519	2,645	2,751	2,847
<b>EBIT MARGIN</b>	4.20%	4.50%	4.70%	4.80%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
<b>INVESTMENTS</b>	2,561	1,994	2,600	2,675	2,285	2,182	2,290	2,403	2,510	2,584	2,660
<b>DEPRECIATION</b>	1,688	1,713	1,786	1,860	1,895	2,027	2,149	2,267	2,381	2,476	2,562
<b>NET WORKING CAPITAL</b>	438	459	319	546	379	541	573	605	635	660	683

**DISCOUNTED CASH FLOWS**

BGN'000	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	TERMINAL YEAR
<b>EBIT</b>	1,313	1,477	1,666	1,871	2,105	2,253	2,388	2,519	2,645	2,751	2,847
<b>EBIT(1-T)</b>	1,181	1,329	1,499	1,684	1,895	2,027	2,149	2,267	2,381	2,476	2,562
<b>ADD: D&amp;A</b>	1,688	1,713	1,786	1,860	1,895	2,027	2,149	2,267	2,381	2,476	2,562
<b>LESS: INVESTMENTS</b>	2,561	1,994	2,600	2,675	2,285	2,182	2,290	2,403	2,510	2,584	2,660
<b>LESS: CHANGE NWC</b>	-39	22	-140	227	-167	162	32	32	30	25	24
<b>FCF</b>	348	1,026	826	642	1,672	1,711	1,976	2,100	2,221	2,342	2,441
<b>PV FCF</b>	338	937	709	512	1,247	1,135	1,204	1,171	1,145	1,100	
<b>SUM OF PV FCF</b>	9,499										
<b>PV OF CONTINUING VALUE</b>	23,982										
<b>TOTAL PV FREE CASH FLOWS</b>	33,481										
<b>LESS: OUTSTANDING DEBT</b>	14,215										
<b>PLUS: FINANCIAL ASSETS</b>	209										
<b>PV OF EQUITY</b>	<b>19,475</b>										
<b>NUMBER OF SHARES ('000)</b>	12,014										
<b>PRICE PER SHARE</b>	1.62										

**RECOMMENDATION AND PRICE TARGET**

Stocks of Herti are illiquid and the discounted cash flows model suggests that the company is fair priced, according to our expectations. We maintain a hold recommendation due to two reasons. The first one is the already emphasized lack of stock trading. The second reason is the value of the stock as sizable improvement in financial results is not yet present. We consider Herti as a company that could be acquisition target from large packaging producer, rather than an interesting holding for portfolio investors.

*Recommendation: HOLD  
Target Price: BGN 1.62*



**ANNUAL FINANCIAL DATA(AUDITED)**

<b>INCOME STATEMENT ('000 BGN)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>TTM</b>	<b>6M 2013</b>	<b>6M 2014</b>
<b>REVENUE</b>	<b>30,473</b>	<b>30,367</b>	<b>30,641</b>	<b>31,149</b>	<b>23,323</b>	<b>23,831</b>
OPERATING EXPENSES	29,899	29,167	29,535	29,896	22,437	22,798
CHANGE IN INVENTORIES	(596)	(19)	(333)	32	(675)	(310)
COST OF MATERIAL	20,881	19,718	19,136	18,749	14,965	14,578
COST OF LABOR	3,955	3,797	3,865	4,013	2,868	3,016
COST OF EXTERNAL SERVICES	2,376	2,295	2,473	2,511	1,874	1,912
DEPRECIATION AND AMORTIZATION	1,660	1,440	1,411	1,820	1,010	1,419
NET BOOK VALUE OF ASSETS SOLD	1,181	1,171	2,472	1,815	1,977	1,320
OTHER COSTS	442	765	511	956	418	863
<b>OPERATING INCOME</b>	<b>574</b>	<b>1,200</b>	<b>1,106</b>	<b>1,253</b>	<b>886</b>	<b>1,033</b>
INTEREST EXPENSE	688	601	623	679	450	506
FOREIGN EXCHANGE LOSSES (GAINS)	(26)	(10)	39	(81)	32	(88)
NET NON-OPERATING LOSSES (GAINS)	106	95	127	127	100	100
<b>PRETAX INCOME</b>	<b>(194)</b>	<b>514</b>	<b>317</b>	<b>528</b>	<b>304</b>	<b>515</b>
INCOME TAX EXPENSE	(18)	52	0	0	0	0
<b>INCOME BEFORE XO ITEMS</b>	<b>(176)</b>	<b>462</b>	<b>317</b>	<b>528</b>	<b>304</b>	<b>515</b>
EXTRAORDINARY LOSS NET OF TAX	0	0	0	0	0	0
MINORITY INTEREST	0	0	0	0	0	0
<b>NET INCOME</b>	<b>(176)</b>	<b>462</b>	<b>317</b>	<b>528</b>	<b>304</b>	<b>515</b>
<b>EARNINGS PER SHARE IN BGN</b>	<b>(0.01)</b>	<b>0.04</b>	<b>0.03</b>	<b>0.04</b>	<b>0.03</b>	<b>0.04</b>
<b>BALANCE SHEET ('000 BGN)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>TTM</b>	<b>6M 2013</b>	<b>6M 2014</b>
CASH AND NEAR CASH ITEMS	157	234	527	209	167	209
SHORT-TERM INVESTMENTS	0	0	0	0	0	0
ACCOUNTS AND NOTES RECEIVABLE	10,249	9,754	10,373	11,164	10,644	11,164
INVENTORIES	4,310	4,892	4,809	4,889	4,665	4,889
OTHER CURRENT ASSETS	0	0	0	0	0	0
<b>TOTAL CURRENT ASSETS</b>	<b>14,716</b>	<b>14,880</b>	<b>15,709</b>	<b>16,262</b>	<b>15,476</b>	<b>16,262</b>
LT INVESTMENTS AND LT RECEIVABLES	279	328	336	336	336	336
NET FIXED ASSETS	15,022	14,546	17,879	18,248	16,714	18,248
OTHER LONG-TERM ASSETS	94	89	522	521	545	521
<b>TOTAL LONG-TERM ASSETS</b>	<b>15,395</b>	<b>14,963</b>	<b>18,737</b>	<b>19,105</b>	<b>17,595</b>	<b>19,105</b>
<b>TOTAL ASSETS</b>	<b>30,111</b>	<b>29,843</b>	<b>34,446</b>	<b>35,367</b>	<b>33,071</b>	<b>35,367</b>
ACCOUNTS PAYABLE	6,220	5,100	6,260	5,501	5,098	5,501
SHORT-TERM BORROWINGS	7,774	8,494	8,432	9,048	11,027	9,048
OTHER SHORT-TERM LIABILITIES	16	25	13	31	31	31
<b>TOTAL CURRENT LIABILITIES</b>	<b>14,010</b>	<b>13,619</b>	<b>14,705</b>	<b>14,580</b>	<b>16,156</b>	<b>14,580</b>
LONG-TERM BORROWINGS	3,237	2,826	5,726	5,167	3,213	5,167
OTHER LONG-TERM LIABILITIES	808	880	1,180	2,270	880	2,270
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>4,045</b>	<b>3,706</b>	<b>6,906</b>	<b>7,437</b>	<b>4,093</b>	<b>7,437</b>
<b>TOTAL LIABILITIES</b>	<b>18,055</b>	<b>17,325</b>	<b>21,611</b>	<b>22,017</b>	<b>20,249</b>	<b>22,017</b>
TOTAL PREFERRED EQUITY	0	0	0	0	0	0
MINORITY INTEREST	0	0	0	0	0	0
SHARE CAPITAL & APIC	12,014	12,014	12,014	12,014	12,014	12,014
RETAINED EARNINGS & OTHER EQUITY	42	504	821	1,336	808	1,336
<b>TOTAL EQUITY</b>	<b>12,056</b>	<b>12,518</b>	<b>12,835</b>	<b>13,350</b>	<b>12,822</b>	<b>13,350</b>
<b>WORKING CAPITAL</b>	<b>30,111</b>	<b>29,843</b>	<b>34,446</b>	<b>35,367</b>	<b>33,071</b>	<b>35,367</b>
<b>NUMBER OF SHARES:</b>	<b>12,013,797</b>	<b>12,013,797</b>	<b>12,013,797</b>	<b>12,013,797</b>	<b>12,013,797</b>	<b>12,013,797</b>
<b>PRICE IN BGN - PERIOD END:</b>	<b>1.23</b>	<b>1.50</b>	<b>1.62</b>	<b>1.62</b>	<b>1.62</b>	<b>1.62</b>
<b>MARKET CAP IN ,000 BGN - PERIOD END:</b>	<b>14,777</b>	<b>18,021</b>	<b>19,462</b>	<b>19,462</b>	<b>19,462</b>	<b>19,462</b>

<b>CASH FLOW STATEMENT ('000 BGN)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>TTM</b>	<b>6M 2013</b>	<b>6M 2014</b>
NET INCOME	(176)	462	317	528	304	515
DEPRECIATION& AMORTIZATION	1,660	1,440	1,411	1,820	1,010	1,419
OTHER NON-CASH ADJUSTMENTS	(4,146)	281	(563)	1,438	(1,515)	486
CHANGES IN NON-CASH CAPITAL	4,367	(478)	550	(1,770)	1,324	(996)
<b>CASH FROM OPERATIONS</b>	<b>1,705</b>	<b>1,705</b>	<b>1,715</b>	<b>2,016</b>	<b>1,123</b>	<b>1,424</b>
DISPOSAL OF FIXED ASSETS	1	1	324	1,124	0	800
CAPITAL EXPENDITURES	(1,075)	(1,075)	(4,156)	(3,195)	(3,531)	(2,570)
INCREASE IN INVESTMENTS	(49)	(49)	0	0	0	0
DECREASE IN INVESTMENTS	0	0	0	0	0	0
OTHER INVESTING ACTIVITIES	0	0	346	1,547	0	1,201
<b>CASH FROM INVESTING ACTIVITIES</b>	<b>(1,123)</b>	<b>(1,123)</b>	<b>(3,486)</b>	<b>(524)</b>	<b>(3,531)</b>	<b>(569)</b>
DIVIDENDS PAID	0	0	0	0	0	0
CHANGE IN SHORT-TERM BORROWINGS	4,593	720	(62)	(1,979)	2,533	616
CHANGE IN LONG-TERM BORROWINGS	(4,331)	(411)	2,900	1,954	387	(559)
INCREASE IN CAPITAL STOCKS	0	0	0	0	0	0
DECREASE IN CAPITAL STOCKS	0	0	0	0	0	0
OTHER FINANCIAL ACTIVITIES	(767)	(814)	(774)	(1,425)	(579)	(1,230)
<b>CASH FROM FINANCING ACTIVITIES</b>	<b>(505)</b>	<b>(505)</b>	<b>2,064</b>	<b>(1,450)</b>	<b>2,341</b>	<b>(1,173)</b>
<b>NET CHANGES IN CASH</b>	<b>77</b>	<b>77</b>	<b>293</b>	<b>42</b>	<b>(67)</b>	<b>(318)</b>
<b>END-OF-PERIOD CASH</b>	<b>234</b>	<b>234</b>	<b>527</b>	<b>209</b>	<b>167</b>	<b>209</b>
<b>CASH PER SHARE</b>	<b>0.02</b>	<b>0.02</b>	<b>0.04</b>	<b>0.02</b>	<b>0.01</b>	<b>0.02</b>

<b>FINANCIAL AND PERFORMANCE INDICATORS</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>TTM</b>
<b>VALUATION</b>				
PRICE/EARNINGS (P/E)		39.01	61.40	36.86
PRICE/BOOK (P/B)	1.23	1.44	1.52	1.46
PRICE/SALES (P/S)	0.48	0.59	0.64	0.62
PRICE/CASH PER SHARE	9.96	9.47	11.26	8.29
EV (IN '000 BGN)	25,631	29,107	33,093	33,468
EV/EBITDA	11.47	11.03	13.15	10.89
<b>PROFITABILITY</b>				
RETURN ON COMMON EQUITY	-1.45%	3.76%	2.50%	4.03%
RETURN ON ASSETS	-0.58%	1.54%	0.99%	1.54%
RETURN ON INVESTED CAPITAL	1.95%	4.27%	3.70%	4.42%
EBITDA MARGIN	7.33%	8.69%	8.21%	9.87%
OPERATING MARGIN	1.88%	3.95%	3.61%	4.02%
NET INCOME MARGIN	-0.58%	1.52%	1.03%	1.70%
<b>DIVIDEND</b>				
DIVIDEND YIELD	0.00%	0.00%	0.00%	
DIVIDEND PER SHARE				
<b>LIQUIDITY</b>				
CURRENT RATIO	1.05	1.09	1.07	1.12
QUICK RATIO	0.74	0.73	0.74	0.78
<b>CREDIT</b>				
LT DEBT/EQUITY	0.27	0.23	0.45	0.39
TOTAL DEBT/EQUITY	0.91	0.90	1.10	1.06
TOTAL DEBT/TOTAL ASSETS	0.37	0.38	0.41	0.40
EBITDA/INTEREST EXPENSE	3.25	4.39	4.04	4.53

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