

<u>Recommendation</u>	<u>Previous</u>	<u>From date</u>	<u>52-week target</u>
Market Perform	-	-	BGN 9.88

Euroins

Business Summary

Euroins is one of the first insurance companies in Bulgaria that received a license for General insurance according to the new Insurance Code effective from 1998. Euroins portfolio includes over 40 insurance products which correspond to all 18 insurance types in general insurance. The company has developed its own sales network that is spread on the territory of the whole country with significant representation in the main regional and administrative centers. Euroins has offices in 87 towns and works with more than 4000 employees, brokers and insurance agents.

Current Market Activity

Shares of Euroins posted its peak at the level of BGN 20 in October 2007. The subsequent correction was shallow and the stock found support at BGN 16, which finally had been broken during the January sell off. Euroins underperformed the broad market. This is the reason for the following less intensive slide during the March and April sell offs. The insurer probed the level of BGN 8, which is the one-year low. Most of the shares for sale were accumulated by speculators and the technical rebounds were short-lived. The current P/E ratio of 15.75 and the perspectives for growth of general insurance market make shares more attractive even compared to one year ago. The management expects higher than the market growth rates of Euroins but the net profit could be softer as the company will increase its technical reserves.



Financial Summary

Euroins posted 25% growth of both gross premium income and net profit, thus exceeding the market average for premium income. However, the premium income net of reinsurance increased by 15% but the contribution of reinsurers resulted to lower claims paid. The 40% growth of insurers' profits for the first 9 months of the 2007 was mainly due to the revaluation of securities, whereas the contribution of financial instruments for the profit of Euroins is BGN 3 million for 2007. Acquisition costs increased 70% last year, whereas other technical expenses were cut by half. The administrative expenses were 13% higher.

Valuation Ratios

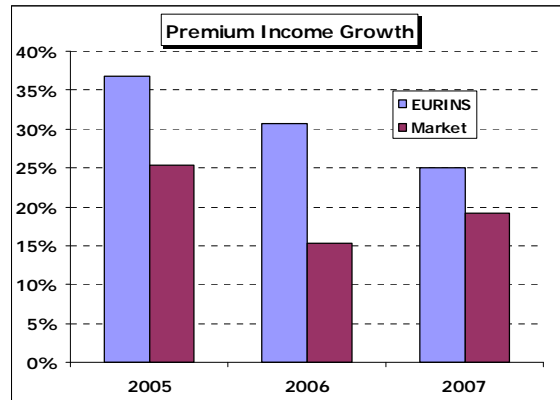
Enterprise Value	-
Dividend Yield - Gross	1.25%
Trailing P/E (ttm)	15.75
Forward P/E (2008)	12.00
PEG Ratio (5yr expected)	-
Price/Premium (ttm)	1.28
Price/Book (mrq)	4.12
Enterprise Value/Revenues (ttm)	-
Enterprise Value/EBITDA (ttm)	-

Profitability and Growth Ratios

Return on Capital	-
Return on Equity	24.95%
Return on Assets	11.60%
EBITDA Margin	-
Net Profit Margin	-
Premium Growth	25.02%
EPS Growth	25.87%
Capital Growth	25.66%
Assets Growth	22.71%

Still Strong Growth

The general insurance market grew 25% in 2005, followed by 15% growth in 2006 and the higher rate of 19.23% for the last year. At the same time, Euroins managed to maintain better growth rates for the last three years. Both life and general insurance penetration for 2007 increased to 2.73% from GDP. Concentration of the market is still high – 55% is the share of the four larger companies, but EU accession allowed the foreign insurance companies to open representations in Bulgaria without license, which will open the Bulgarian insurance market to new participants and will strengthen the competition.

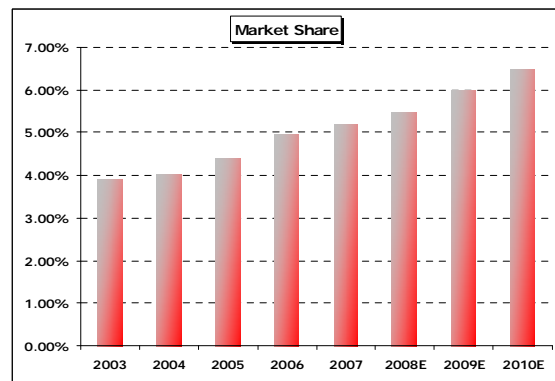


Calculations: ELANA Trading
Source: Financial Supervision Commission

Market Share

Euroins is gaining market share during the last several years following the aggressive marketing campaigns and the synergy effects in the economic group of Eurohold Bulgaria. The growth rate in 2007 decelerated as the insurance market is entering more mature growth phase. The severe competitiveness among insurers restrained the growth of motor insurances.

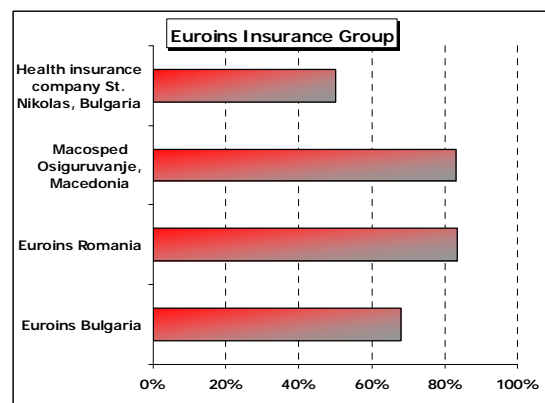
24 of the 36 insurers are owned by foreign companies. Their market share in 2006 exceeded 70% of the non-life insurance and is likely to increase further in 2007.



Calculations: ELANA Trading
Estimations: Eurohold Bulgaria

Ownership and Structure of the Group

Eurohold Bulgaria is the majority owner of Euroins through Euroins Insurance Group. The group is also majority owner in the recently acquired Romanian company Asitrans Asigurari and Macedonian Macosped Osiguruvanje. The regional expansion is key for the holding but this process won't be implemented throughout Euroins Bulgaria and the Bulgarian insurance company will remain focused on the domestic market. Some synergy effect could be possible but it is unlikely that the regional expansion would have any visible implications on Euroins Bulgaria premium income.



Source: Eurohold Bulgaria

Stock Information (BSE Ticker: EURINS; Bloomberg: EURINS BU; REUTERS: EURINS.BB)

Last Price	8.40	Market Cap	83 999 993	1Y Range	7.75 - 20.07	Average Volume (3m)	4 651
Beta	-	1Y Change	-1.42%	SOFIX Change	-8.86%	BG40 Change	+34.01%

Valuation

The uncertainty regarding the net profit for 2008 and the grim market sentiment are the reasons for the conservative valuation. Some positive surprises on net profits are probable but the valuation is based on the P/Premium ratio of 1.25.

Multiples Analysis

The ongoing correction and the gradual increase of net profits resulted to P/E ratio of 15, which is among the lowest for Bulgarian blue chips. P/Premium also fell and stood at 1.28. The three multiples of Euroins are lower than the other public listed insurer Bulstrad, which currently trades 1.78 times gross premium income and almost seven times the book value.

Last Price	8.40
Number of shares	9 999 992
Market Capitalization	83 999 933
Net Profit (2007)	5 333 000
P/E	15.75
Premium (2007)	65 867 000
P/Premium	1.28
Equity	21 377 000
P/B	3.93

Source: Euroins
Calculations: ELANA Trading

Peers Comparison

Most regional insurers are subsidiaries of large international players. The limited number of public listed companies includes three Greek insurers and one from Poland and Romania, which is owned by Uniqa.

Company	Country	P/B	P/Premium	P/E	EBIT margin	Revenue Growth
Towarzystwo Ubezpieczen EUROPA	Poland	4.36	2.62	13.57	18.72	105.2
Agrotiki Insurance	Greece	2.58	1.46	5.3	36.22	neg.
European Reliance Insurance	Greece	1.53	0.85	14.22	6.02	28.51
Aspis Pronia	Greece	2.4	0.22	24.77	0.24	96.29
Agras Vienna Insurance Group	Romania	1.01	1.34	569	neg.	neg.

Source: Reuters

Price Target

The uncertainty regarding the net profit gives us the reason to use P/Premium for valuation purposes. The one-year price target is BGN 9.88, based on the expected 20% growth of premium income and average P/Premium of 1.25. We expect the ratio to remain between 1.25 and 1.50, which would eventually raise the price target to BGN 11.86. The current P/E ratio and the one year low provide support at the price of BGN 8.00.

BGN '000	2008	2009
Premium Income	79 040	90 896
Growth	20%	15%
Net Profit	5 138	6 363
Expected P/Premium	1.25	1.15
Price Target	9.88	10.45
Expected P/E	18.00	15.00
Price Target	9.25	9.54

Calculations: ELANA Trading

Recommendation

We give *Market Perform* recommendation of Euroins as the price target of BGN 9.88 gives us a growth potential of 17.6% and possible extension to BGN 11.86. The low trading activity could result to fairly quick gains in case of positive surprises but it is unlikely that investors would pursue higher multiples than the P/Premium of 1.50 this year.

Financial Data

Consol. Income Statement (in thousand BGN)	2004	2005	2006	2007
Result of technical account - General insurance	759	1 818	4 747	6 319
Gross premium income from general insurance	29 472	40 327	52 685	66 578
Outward reinsurance premiums	13 395	14 077	(10 650)	(16 420)
Claims incurred, net of reinsurance	15 862	25 966	37 633	43 263
Operating income	539	1 618	4 580	5 962
Other revenues and expenses	54	23	362	(13)
Taxes	0	248	705	575
Net income	593	1 393	4 237	5 374

Consol. Balance Sheet (in thousand BGN)	2004	2005	2006	2007
Total assets	19 722	28 494	42 861	52 887
Fixed assets	0	2	1 046	807
Financial investments	7 418	7 842	17 941	24 758
Receivables	8 700	13 936	18 545	24 106
Cash and cash equivalents	1 956	3 095	3 717	1 226
Total liabilities + equity	19 722	28 494	42 861	52 887
Equity	5 394	7 295	17 012	21 389
Registered capital	4 000	5 000	7 500	10 000
Capital funds	801	902	5 275	6 015
Earnings	593	1 393	4 237	5 374
Technical Reserves	6 551	7 388	13 411	24 575
Liabilities	7 230	13 264	12 438	6 923

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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.

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Positive	More than 5% higher as compared to SOFIX and BG40 performance
Neutral	Market performance, +/-5% as compared to SOFIX and BG40
Negative	More than 5% lower as compared to SOFIX and BG40 performance

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