

Investor.BG (Bloomberg: 4IN BU)



Overview Investor.BG is an Internet company, which owns and operates websites in different areas. Investor.BG's 14 websites had on average 1.7 million unique visitors per month in the first ten months of 2010. This settled the company on second place in Bulgaria in terms of coverage.



Dnes.bg is among the most popular news website, which was founded in 2005. Dnes.bg had 569 842 unique users and 22.9 million page impressions in October 2010. It is on first place by market share as of November 2010 with 26% stake, followed by DNES.dir.bg and btv.bg.



Investor.bg was started in 2000 and is Bulgaria's most popular business and finance news website. The site provides news, articles, market quotes and financial statements. Investor.bg had 156 523 unique users and 4.3 million page impressions in October 2010.



Investor.BG acquired this site in 2007. Teenproblem.net had 372 661 unique users and 5.8 million page impressions in October 2010.



Puls.bg was acquired by Investor.BG in 2009. Puls.bg had 269 565 unique users and 2.1 million page impressions in October 2010. Puls.bg is Bulgaria's most frequently visited health-related internet site. Investor.BG owns 50.1% of Puls.bg. Revenues of Puls.bg reached BGN 33 000 (or 73.7% y-o-y) in 2010 although the subsidiary still posted a loss of BGN 59 000 for the year.



Tialoto.bg was started in 2004 and targets a female audience. The internet site provides information about health, beauty, culture and fashion. Tialoto.bg had 265 353 unique users and 5.9m page impressions in October 2010.



Gol.bg was started in 2005 and provides football and other sports news to local fans. Gol.bg had 149 151 unique users and 6.2 million page impressions in October 2010. The site is on third place by market share as of November 2010 with 7% stake, following the leaders sportal.bg (64%) and gong.bg (17%).



AutoMedia.bg was started in 2005 and was acquired by Investor.bg in 2007. The site targets auto fans in. AutoMedia.bg had 100 384 unique users and 1.3 million page impressions in October 2010.



Snimka.bg allows users to upload photos online in their own profiles. Snimka.bg had 395 129 unique users and 20.7 million page impressions in October 2010.

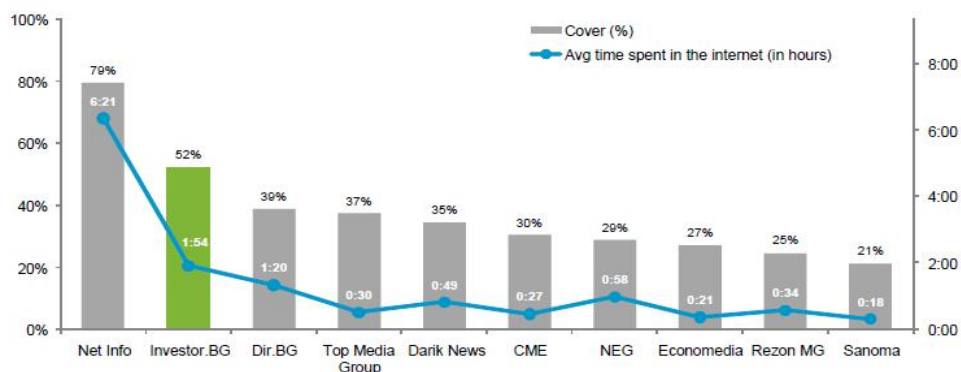


Aha.bg is a social network with 700 000 registered users. 47% of the users are aged between 15 and 24 and a further 24% are aged 25-34. The site had 297 645 unique users and 269.1 million page impressions in October 2010. Unlike major global players such as Facebook, Bulgarian social networking sites focus almost exclusively on providing dating services, although they also allow friends to be added.

Other sites The other sites in the portfolio are nasam-natam.bg (provides travel and touristic services), rabota.bg (jobs offers), mp3.bg, blog.bg and start.bg (an internet portal offering links in 22 different categories).

Investor.BG has a leading position among media groups in Bulgaria by proceeds generated from internet advertising and number of internet users in Bulgaria. The survey of the Bulgarian media agency Piero 97 reveals that the top 10 medias and media groups in Bulgaria has attracted about 80% of the budgets for online advertising in 2009.

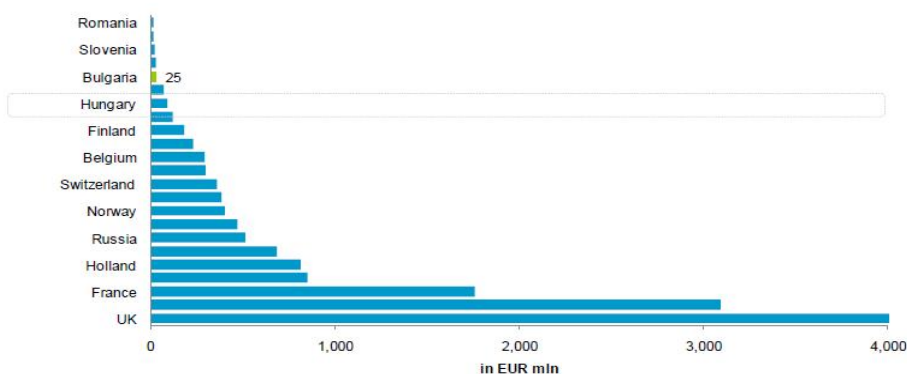
Graph 1
Internet Penetration and time spent in internet as of October 2010



Source: Gemius, Investor.BG

According to the European Commission's data, Bulgaria falls behind in the use of high speed internet. Despite the penetration of broad-band access increases, the growth rate is not sufficient to rank Bulgaria together with the leading European countries. The current penetration is 13%, or one of the lowest in the EU. The low penetration in Bulgaria is valid both for individual users and for the business. There is a positive trend in the development of broad-band internet access – Bulgaria is above the average level for the EU by percentage of clients with broad-band access.

Graph 2
Internet Advertising costs by countries in 2009



Source: IAB Europe/Screen Digest

Strategy Investor.BG strategy includes development and acquisition of many specialized websites covering a large part of the Internet services spectrum, and the aim is to make managed websites one of the most frequently visited within the Bulgarian internet space. The company aims to establish the brand Investor.BG and thus to make the group a major factor on the Bulgarian internet market. Investor.BG AD is aimed at increasing its market share to more than 20% of the on-line advertising markets in Bulgaria during the next 3 years.

Capital Increase The Internet company Investor.BG intends to increase its capital through issuing common shares. The company will issue up to 239 892 new shares at BGN 12.40 issuing price. 71 967 subscribed shares is the minimum size to the increase to be successful.

This report values the shares of Investor.BG based on peers comparison and DCF model.

Multiples Valuation

*Table 1
Multiples
comparison*

	2008	2009	TTM	2011F
Last Price	11.33	9.80	12.70	12.70
Number of Shares	1 190 539	1 199 460	1 279 423	1 519 315
Market Capitalization	13 488 807	11 754 708	16 248 672	19 295 301
Net Profit	780 000	522 000	399 000	285 000
P/E	17.29	22.52	40.72	67.70
Equity	3 246 000	3 881 000	4 106 000	7 437 628
P/B	4.16	3.03	3.96	2.59
Sales	2 654 000	2 927 000	3 326 000	4 373 000
P/S	5.08	4.02	4.89	4.41
EV	12 891 807	10 892 708	15 829 672	17 687 301
EBITDA	972 000	714 000	611 000	471 000
EV/EBITDA	13.26	15.26	25.91	37.55
RoE	24.03%	13.45%	9.72%	3.83%
RoA	23.17%	11.92%	8.16%	3.35%

Source: Investor .BG, consolidated results as of September 30, 2010; 2011 projections
Calculations: ELANA Trading

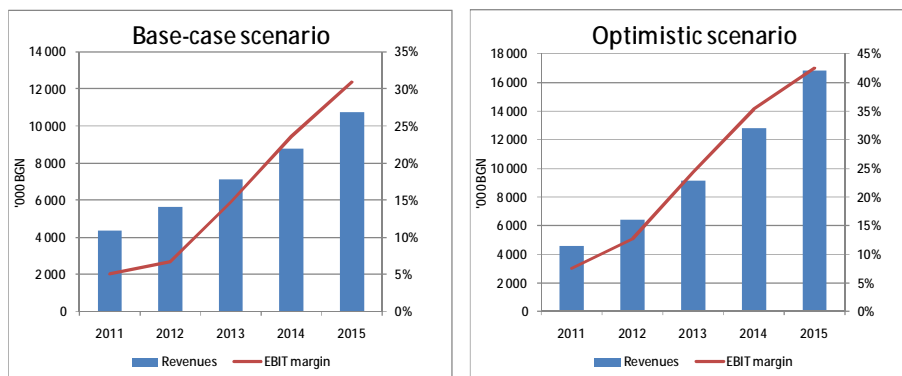
The consolidated results for the last 12 months placed the multiples of Investor .BG at disadvantage to the average for the Bulgarian stock market. Moreover , there is an increase on yearly basis. The forecasted data for 2011, based on the current market price and including the capital increase, show lower P/S and P/B ratios. The management's prognosis is for low profit margin this year , despite the solid sales growth. This reflects on higher P/E and EV/EBITDA, which is usual for the Internet companies with growth opportunities. The number of shares in our calculations is adjusted with warrants as the strike price is above the market price. The new issue is included fully in 2011 calculations.

Peers' comparison

We compared Investor .BG to similar companies in the same sector with more than 50% of their total revenues from internet media. We used the 100th biggest companies for the average values in the comparison. P/S and EV/EBITDA have the biggest weight in the calculations as they are better representation for the market positions and the company's results.

shares is adjusted to 100% participation in the new issue and to the number of warrants that are in the money. We also provide sensitivity analysis to the weighted average cost of capital and the long-term growth rate.

Graph 3 and 4
Investor.BG
forecasts



Source: Investor.BG

Investor .BG posted two scenarios for the next five years. The difference between them is the sales growth and profit margins, which depend to the recovery of the internet advertizing. Investments and total costs are identical in both scenarios. The company showed its possibility to grow and to maintain profitability during the crisis in 2009-2010, which will reflect on its performance during the next years.

DCF method shows intrinsic value per share of BGN 24.33 for the base-case scenario and BGN 41.28 per share according to the high-growth scenario. The average from the three calculations is BGN 27.80 per share. The total number of shares is adjusted to warrants and assumes 100% of the new issue.

Table 4
Valuation

Method	Price	Premium (Discount)
Peer's comparison	12.40	-2.33%
DCF	17.79	40.09%
DCF - base	24.33	91.61%
DCF - optimistic	41.28	225.07%

Calculations: ELANA Trading

The fair value varies significantly according to the diferent models. The peer's comparison shows the lowest price and Investor.BG has higher multiples as compare to the liquid companies on the Bulgarian Stock Exchange. This will limit the investors' interest toward the position as long as the company announces strong profit growth. The three DCF-models show the solid growth potential of the company and the prospects of the stock price in long term. The price per share according to the conservative scenario is 40% above the market price and the base-case scenario is prerequisite for new record highs during the following years.

Financial data

Statement of Income (in '000 BGN)	2006	2007	2008	2009	12M
Sales	622	1 446	2 654	2 927	3 326
Production expenses	350	605	911	1 304	1 513
Personnel expenses	590	395	790	954	1 226
Net income from financial activities	34	(12)	19	45	24
Other revenues and expenses	0	0	0	0	0
EBITDA	(284)	434	972	714	611
Depreciation	57	73	105	138	155
EBIT	(341)	361	867	576	456
Interest expense	0	0	0	3	6
Pretax income	(341)	361	867	573	450
Taxes	0	(1)	88	63	63
After-tax income	(341)	362	779	510	387
Minority interest	0	0	(1)	(12)	(12)
Net income	(341)	362	780	522	399
Earnings per share in BGN	(0.31)	0.31	0.66	0.44	0.33

Balance Sheet (in '000 BGN)	2006	2007	2008	2009	9M 2010
Total Assets	1 577	2 382	3 367	4 379	4 889
Equity subscriptions receivable	0	0	0	0	0
Fixed assets	914	1 750	2 512	3 082	3 557
Tangible fixed assets	95	181	95	164	189
Financial investments	0	0	0	0	0
Current assets	663	632	855	1 297	1 332
Inventory	0	0	0	0	0
Receivables	48	219	245	371	631
Financial assets	393	111	4	0	0
Cash and cash equivalents	222	302	597	862	489
Total liabilities + equity	1 577	2 382	3 367	4 379	4 889
Equity	1 087	2 254	3 246	3 881	4 106
Registered capital	1 096	1 173	1 190	1 199	1 199
Capital funds	363	1 093	1 277	2 160	2 160
Earnings	-372	-12	779	522	747
Liabilities	490	128	121	498	783
Long-term payables	0	0	0	22	37
Long-term bank loans	0	0	0	0	0
Short-term bank debt	0	0	0	0	70
Short-term payables	490	114	108	257	294
Other liabilities	0	14	19	155	327
Working capital	173	518	747	1 040	968

Cash Flow Statement (in '000 BGN)	2006	2007	2008	2009	9M 2010
Net income	(341)	362	780	522	399
Depreciation	57	73	105	138	155
Changes in Working capital	0	345	229	293	293
Other operating cash flow items	332	(338)	(284)	(165)	(683)
Net cash from operating activities	48	442	830	788	164
Capital expenditures	(378)	(841)	(874)	(622)	(589)
Other investing cash flow items	(62)	27	5	0	0
Net cash from investing activities	(440)	(814)	(869)	(622)	(589)
Issuance/ Retirement of Stock, Net	(139)	217	217	110	0
Issuance/ Retirement of Debt, Net	0	0	47	4	70
Dividends paid	0	0	0	0	0
Other financing cash flow items	547	235	70	(15)	(18)
Net cash from financing activities	408	452	334	99	52
Net change in cash	16	80	295	265	(373)
Beginning-of-period cash	206	222	302	597	862
End-of-period cash	222	302	597	862	489
Cash per share	0.20	0.26	0.50	0.72	0.41

Financial and Performance Indicators	2006	2007	2008	2009	12M
Valuation Ratios					
Price/Earnings (P/E)	-22.50	51.86	17.29	22.52	36.98
Book Value (BV)	0.99	1.92	2.73	3.24	3.42
Price/Book (P/B)	7.06	8.33	4.16	3.03	3.59
Sales Per Share	0.57	1.23	2.23	2.44	2.77
Price/Sales (P/S)	12.33	12.98	5.08	4.02	4.44
Price/Cash per share	-27.01	43.15	15.24	17.81	26.63
EV (in BGN)	7 450	18 470	12 892	10 893	14 334
EV/Sales	11.98	12.77	4.86	3.72	4.31
EV/EBITDA	-26.23	42.56	13.26	15.26	23.46
EV/EBIT	-21.85	51.16	14.87	18.91	31.43
Liquidity					
Current ratio	1.35	5.54	7.92	5.05	3.66
Quick ratio	1.35	5.54	7.92	5.05	3.66
Debt Management					
Debt to total assets	0.31	0.05	0.04	0.11	0.16
Interest coverage	n/a	n/a	n/a	192.00	76.00
LT Debt/Equity	0.00	0.00	0.00	0.01	0.01
Total Debt/Equity	0.45	0.06	0.04	0.13	0.19
Asset Management					
Inventory turnover	n/a	n/a	n/a	n/a	n/a
Days sales outstanding	28	55	33	46	68
Fixed asset turnover	0.68	0.83	1.06	0.95	0.94
Total asset turnover	0.39	0.61	0.79	0.67	0.68
Profitability					
Profit margin on sales	-54.8%	25.0%	29.4%	17.8%	12.0%
EBITDA margin	-45.7%	30.0%	36.6%	24.4%	18.4%
Basic earning power	-21.6%	15.2%	25.7%	13.2%	9.3%
Return on assets	-21.6%	15.2%	23.2%	11.9%	8.2%
Return on equity	-31.4%	16.1%	24.0%	13.5%	9.7%
Return on investments	-31.4%	16.1%	24.0%	13.4%	9.6%
Dividend Information					
Dividend Yield	n/a	n/a	n/a	n/a	n/a
Dividend per share	n/a	n/a	n/a	n/a	n/a
Number of shares:					
	1 096 000	1 176 939	1 190 539	1 199 460	1 199 460
Price in BGN - period end:					
	7	15.95	11.33	9.80	12.30
Market cap in BGN - period end:					
	7 672 000	18 772 177	13 488 807	11 754 708	14 753 358

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