



Stock price of Enemona



- The engineering company Enemona (E4A) announced 11% decrease of revenues during the fourth quarter as compared to year ago. For total 2011 sales were 1.5% higher, although the share of trading with electricity continued to rise and topped 54% during the fourth quarter. The segment's revenues exceeded BGN 90 million in 2011. This contributed to the deterioration of profitability.
- The construction backlog indicator of Enemona was BGN 131 million at the end of 2011. This was an increase of 4% on quarterly basis. 90% of total construction backlog is from clients abroad. Enemona also announced that new contracts totaled BGN 36.8 million.
- Enemona was deep on the red last year – the company generated losses during three of the four quarters. The costs for electricity traded rose along with the increased volumes. The other groups of expenses declined but not sufficiently to maintain profitability. Expenses for materials fell below 20% of total revenues, while costs of external services stabilized at 15% of sales.
- The loss in 2011 was BGN 8.5 million. However, Enemona had significant impairment costs. They exceeded BGN 35 million and the largest part (BGN 22.6 million) was due to receivables related to construction contracts of green energy facilities. Enemona announced that it received payments and they are guaranteed but preferred to write-down its assets. Another BGN 11 million of receivables and loans were also wrote-down. The company's goodwill was decreased by BGN 1.3 million from the acquisition of the subsidiary EMKO.
- The one-time items with significant impact on the Enemona's financial results included gains from the swap of receivables to shares of public listed company Energoni (2EL). The positive effect was BGN 2.55 million and was due in December 2011. We expect to see significant profit from the stocks of the non-liquid and low free-float company, which at the current price of Energoni should total BGN 10 million. The market will not support the shares of Enemona due to a significant financial profit. The other one-time item was the sell of subsidiaries. Enemona sold 99.98% of the capital of Agro Invest Engineering in March 2011 for BGN 18.4 million. The negative result was BGN 5.3 million.
- The write-off resulted to decrease in receivables to 40% of assets. They fell to BGN 93 million at the end of 2011 and this level corresponded to the average for 2010. At the same time payables are two times less than receivables. Debt-to-equity ratio was stable last year at 0.76. The structure of bank loans changed in Q4 as long-term debt decreased to BGN 14.2 million whereas the short-term loans were hardly changed and again reached BGN 60 million.

Valuation ratios
Table 1
Multiples
Comparison

	2009	2010	2011
Last Price	9.10	7.10	3.49
Number of Shares	11 933 600	13 036 501	13 036 501
Market Capitalization	108 595 760	92 559 157	45 497 388
Net Profit	14 816 000	4 662 000	-8 535 000
P/E	7.33	19.85	-5.33
Equity	96 497 000	106 295 000	97 256 000
P/B	1.13	0.87	0.47
Sales	185 513 000	188 897 000	179 768 000
P/S	0.59	0.49	0.25
EV	153 378 760	173 748 157	107 949 388
EBITDA	26 701 000	15 052 000	-387 000
EV/EBITDA	5.74	11.54	-278.94
RoE	15.35%	4.39%	-8.78%
RoA	6.42%	1.86%	-3.45%

Source: Enemona
 Calculations: ELANA Trading

The loss of Enemona pushed down the stock price to record lows. Although price-to-earnings ratio turned negative, the other two important multiples fell substantially. Half of this loss is due to one-time items. We also plan to adjust the future profits from the appreciation of investments. The very low price-to-sales ratio is also not comparable to construction company as half of revenues were generated by electricity trading. However, the ratios exclude the valuation of future operations from Lom Lignite project.

Comparison to similar companies

We compare Enemona to companies engaged in construction of large energy projects or other facilities. However, the Bulgarian company is increasing its share of energy trading in its revenues to level that is changing significantly the profitability ratio. We used the median of multiples.

Table 2
Comparison
to similar
companies

Multiples	P/E	P/B	P/S	EV/EBITDA
Median	11.71	0.90	0.43	6.99
Market Capitalization	-99 962 133	87 541 828	77 655 192	-65 156 788
Price	-7.67	6.72	5.96	-5.00
Weight	0%	50%	50%	0%
Current Price		3.49		
Fair Price		6.34		
Premium (Discount) to Current Price		81.55%		

Source: Bloomberg
 Calculations: ELANA Trading

Enemona posted loss for 2011, which made price-to-earnings and EV/EBITDA ratios unusable for valuation. We added the two multiples at zero weight to assess their impact on the valuation as their exclusion disturbed the fair price significantly. In that case we had to consider the price per share as relevant to the fair price but we cannot use it as one-year target.

In brief, Enemona's decelerating results are presenting the company's value at negative light and without any improvement in profits there is no reason to expect positive market reaction to shares.

Financial data:

Statement of Income (in '000 BGN)	2007	2008	2009	2010	2011
Revenues	89 382	136 247	185 513	177 097	179 768
Production expenses	66 986	98 588	129 022	136 730	155 719
Personnel expenses	7 156	17 667	34 516	30 406	28 408
Net income from financial activities	5 153	3 545	3 948	2 996	3 861
Other revenues and expenses	352	812	778	0	111
EBITDA	20 745	24 349	26 701	12 957	(387)
Depreciation	1 952	3 038	4 665	3 121	3 177
EBIT	18 793	21 311	22 036	9 836	(3 564)
Interest expense	3 522	5 217	5 040	4 990	4 746
Pretax income	15 271	16 094	16 996	4 846	(8 310)
Taxes	889	1 586	1 771	399	612
After-tax income	14 382	14 508	15 225	4 447	(8 922)
Minority interest	396	464	409	(215)	(387)
Net income	13 986	14 044	14 816	4 662	(8 535)
Earnings per share in BGN	1.17	1.18	1.24	0.36	(0.65)

Balance Sheet (in '000 BGN)	2007	2008	2009	2010	2011
Total Assets	134 551	191 085	230 716	250 140	247 502
Equity subscriptions receivable	0	0	0	0	0
Fixed assets	49 637	80 963	104 602	115 648	84 470
Tangible fixed assets	41 842	64 736	72 423	80 964	52 551
Financial investments	3 664	11 836	15 373	9 917	4
Current assets	84 914	110 122	126 114	134 492	163 032
Inventory	26 216	45 492	20 715	12 245	4 481
Receivables	25 542	40 432	81 971	115 570	93 115
Financial assets	0	1 625	49	49	53 700
Cash and cash equivalents	33 106	22 519	23 379	6 628	11 736
Total liabilities + equity	134 551	191 085	230 716	250 140	247 502
Equity	76 354	85 223	96 497	106 295	97 256
Registered capital	11 934	11 934	11 934	13 037	13 037
Capital funds	49 932	59 300	55 176	75 345	75 452
Earnings	14 488	13 989	29 387	17 913	8 767
Liabilities	58 197	105 862	134 219	143 845	150 246
Long-term payables	20 162	23 825	7 111	9 757	17 842
Long-term bank loans	8 069	17 544	11 987	20 422	14 294
Short-term bank debt	7 566	28 655	56 175	67 395	59 894
Short-term payables	19 289	32 393	52 494	40 034	56 038
Other liabilities	29	0	0	0	0
Working capital	58 059	49 074	17 445	27 063	47 100

Cash Flow Statement (in '000 BGN)	2007	2008	2009	2010	2011
Net income	13 986	14 044	14 816	4 662	(8 535)
Depreciation	1 952	3 038	4 665	3 121	3 177
Changes in Working capital	36 808	(8 985)	(31 629)	9 618	20 037
Other operating cash flow items	(56 753)	(1 403)	33 895	(45 355)	(13 996)
Net cash from operating activities	(4 007)	6 694	21 747	(27 954)	683
Capital expenditures	(12 177)	(25 753)	(21 364)	(10 443)	74
Other investing cash flow items	33 475	11 552	(16)	(1 155)	12 540
Net cash from investing activities	21 298	(14 201)	(21 380)	(11 598)	12 614
Issuance/ Retirement of Stock, Net	175	1 658	1 014	11 099	23
Issuance/ Retirement of Debt, Net	16 672	5 744	7 221	20 504	(920)
Dividends paid	(44)	(767)	(113)	(1 464)	0
Other financing cash flow items	(7 987)	(9 715)	(7 427)	(7 338)	(7 292)
Net cash from financing activities	8 816	(3 080)	695	22 801	(8 189)
Net change in cash	26 107	(10 587)	1 062	(16 751)	5 108
Beginning-of-period cash	6 999	33 106	22 519	23 379	6 628
End-of-period cash	33 106	22 519	23 379	6 628	11 736
Cash per share	2.77	1.89	1.96	0.51	0.90

Financial and Performance Indicators	2007	2008	2009	2010	2011
Valuation Ratios					
Price/Earnings (P/E)	15.08	11.39	7.33	19.85	-5.91
Book Value (BV)	6.40	7.14	8.09	8.15	7.46
Price/Book (P/B)	2.76	1.88	1.13	0.87	0.52
Sales Per Share	7.49	11.42	15.55	13.58	13.79
Price/Sales (P/S)	2.36	1.17	0.59	0.52	0.28
Price/Cash per share	13.23	9.36	5.57	11.89	-9.42
EV (in BGN)	178 366	161 911	109 737	110 451	63 235
EV/Sales	2.00	1.19	0.59	0.62	0.35
EV/EBITDA	8.60	6.65	4.11	8.52	-163.40
EV/EBIT	9.49	7.60	4.98	11.23	-17.74
Liquidity					
Current ratio	3.16	1.80	1.16	1.25	1.41
Quick ratio	2.19	1.06	0.97	1.14	1.37
Debt Management					
Debt to total assets	0.43	0.55	0.58	0.58	0.61
Interest coverage	5.34	4.08	4.37	1.97	-0.75
LT Debt/Equity	0.37	0.49	0.20	0.28	0.33
Total Debt/Equity	0.76	1.24	1.39	1.35	1.54
Asset Management					
Inventory turnover	3.41	2.99	8.96	14.46	40.12
Days sales outstanding	103	107	159	235	186
Fixed asset turnover	1.80	1.68	1.77	1.53	2.13
Total asset turnover	0.66	0.71	0.80	0.71	0.73
Profitability					
Profit margin on sales	15.6%	10.3%	8.0%	2.6%	-4.7%
EBITDA margin	23.2%	17.9%	14.4%	7.3%	-0.2%
Basic earning power	14.0%	11.2%	9.6%	3.9%	-1.4%
Return on assets	10.4%	7.3%	6.4%	1.9%	-3.4%
Return on equity	18.3%	16.5%	15.4%	4.4%	-8.8%
Return on investments	13.4%	11.1%	12.8%	3.4%	-6.6%
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:					
	11 933 600	11 933 600	11 933 600	13 036 501	13 036 501
Price in BGN - period end:					
	17.67	13.40	9.10	7.10	3.87
Market cap in BGN - period end:					
	210 866 712	159 910 240	108 595 760	92 559 157	50 451 259

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