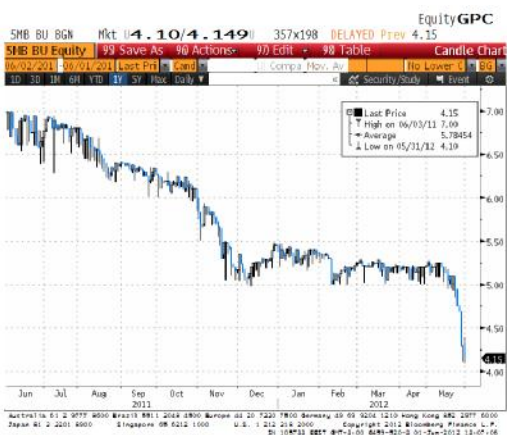


Stock price of Monbat



- The quarterly revenues of Monbat (5MB) were unchanged in the last consolidated report despite the solid decline of average lead price on yearly basis. The producer prices of lead-acid car batteries depend mostly on the quotes of lead, which were 20% down from last year's peak.

- The first quarter is seasonally stronger in terms of profits but the falling lead prices had negative impact on financial results this year. The decline of net profit was 20% and was influenced by rising depreciation and interest expenses along with the lower profits from foreign exchange rates during the period. EBITDA margin fell to 16.5%

- The weakness of revenues early this year proved to be temporarily. Monbat did not disclose the reasons for the declining sales to Germany, Turkey and Holland. Nevertheless, this was compensated by the solid increase to Greece and France. Revenues abroad represented 82.24% of total.

- The production in Serbia declined during the quarter to BGN 2.2 million from BGN 3.7 million. This was offset by the huge improvement of production in Romania that jumped from BGN 2.9 million to BGN 13.5 million for a year and posted BGN 1 million of profit for the quarter. The company did not disclose the reasons for the declining production in Serbia.

- Receivables fell last quarter following the lower revenues. Monbat is not facing problems with its trading partners and clients. Receivables were 20% of assets, which is close to the average for the last three years. The company debt-to-equity ratio was down from 0.4 to 0.33. Bank loans declined. Most of the debt had short-term maturity but we don't expect any difficulties in the rollover. The company's policy is to increase the leverage, while decreasing the number of shares outstanding via buy-back.

- Shares of Monbat fell substantially in May as liquidation of portfolios took place on the market. The buy-back was 13% of volumes traded during the month, which is significantly lower than the usual levels and was due to the large block deal in mid-May. The quick decline afterwards was in very low volumes. It suggests that bottom could be near BGN 4.00. The market was a bit disappointed by the worsening quarterly results, although the management expects improvement during the second quarter.

Valuation ratios

*Table 1
Multiples
Comparison*

	2010	2011	12M
Last Price	6.30	5.25	4.15
Number of Shares	37 325 585	36 743 111	36 573 785
Market Capitalization	235 151 186	192 901 333	151 781 208
Net Profit	13 324 000	19 156 000	18 056 000
P/E	17.65	10.07	8.41
Equity	126 426 000	135 063 000	137 427 000
P/B	1.86	1.43	1.10
Sales	160 994 000	182 078 000	182 415 000
P/S	1.46	1.06	0.83
EV	269 610 186	237 018 333	194 394 208
EBITDA	24 106 000	33 141 000	32 438 000
EV/EBITDA	11.18	7.15	5.99
RoE	10.54%	14.18%	13.14%
RoA	7.18%	8.97%	8.69%

Source: Monbat
Estimations: ELANA Trading

We adjusted the number of shares outstanding according to the latest figure of Monbat. The recent price slump offset the temporary deterioration in financial results and multiples decreased as compared to the previous report. The multiples fell to levels not seen in years. Moreover, Monbat looks very attractive with the prospects to increase its profitability in long-term due to the recycling facilities in Serbia and Romania. The main risk remains the economic crisis in Europe that had some impact on revenues.

Comparison to similar companies

We compare Monbat to producers of stationary and car batteries, although the Bulgarian company is also in the recycling business. We use the median for each ratio. The comparison to companies in the auto parts industry showed much lower multiples but they are not compatible for the valuation as Monbat is more dependent on the price of lead and its products are oriented to the aftermarket and are not supplied to car producers due to the large volumes and small margins.

*Table 2
Comparison
to similar
companies*

Mutiples	P/E	P/B	P/S	EV/EBITDA
Median	17.06	1.47	0.76	9.72
Market Capitalization	308 084 292	202 286 016	138 671 153	272 556 879
Price	8.42	5.53	3.79	7.45
Weight	25%	25%	25%	25%
Current Price		4.15		
Fair Price		6.30		
Premium (Discount) to Current Price		51.80%		

Source: Bloomberg
Calculations: ELANA Trading

Our comparison to car batteries sector showed higher multiples as compared to the previous report. This was probably due to the changes in the search results rather than appreciation of stocks. Deterioration of financial results in the sector could also be factor for higher multiples. As a result the fair price of Monbat increased to BGN 6.30 or 52% above the current. Monbat is overvalued in terms of its revenues but should be priced higher if taking into account

Financial data:

Statement of Income (in '000 BGN)	2008	2009	2010	2011	1Q 2012
Sales	163 981	114 994	160 994	182 078	45 967
Production expenses	117 093	80 959	125 420	134 173	35 102
Personnel expenses	12 765	10 720	11 971	14 656	3 225
Net income from financial activities	437	(275)	(99)	(116)	(188)
Other revenues and expenses	0	0	0	8	121
EBITDA	34 560	23 040	23 504	33 141	7 573
Depreciation	4 108	4 796	6 111	8 718	2 527
EBIT	30 452	18 244	17 393	24 423	5 046
Interest expense	1 545	1 559	2 279	2 841	702
Pretax income	28 907	16 685	15 114	21 582	4 344
Taxes	3 157	1 921	2 484	2 529	451
After-tax income	25 750	14 764	12 630	19 053	3 893
Minority interest	86	96	(152)	(103)	0
Net income	25 664	14 668	12 782	19 156	3 893
Earnings per share in BGN	0.66	0.39	0.34	0.52	0.11

Balance Sheet (in '000 BGN)	2008	2009	2010	2011	1Q 2012
Total Assets	154 721	184 815	199 717	213 441	207 898
Equity subscriptions receivable	0	0	0	0	0
Fixed assets	89 491	99 333	114 187	125 569	124 697
Tangible fixed assets	88 923	98 596	110 739	121 918	120 904
Financial investments	6	8	8	8	8
Current assets	65 230	85 482	85 530	87 872	83 201
Inventory	35 035	40 894	42 624	40 836	39 648
Receivables	25 176	38 367	40 972	42 735	40 825
Financial assets	0	0	0	0	0
Cash and cash equivalents	4 634	5 840	1 634	4 108	2 425
Total liabilities + equity	154 721	184 815	199 717	213 441	207 898
Equity	105 516	117 460	126 426	135 063	137 427
Registered capital	38 533	37 950	37 326	36 858	36 665
Capital funds	41 632	65 307	78 196	83 187	81 935
Earnings	25 351	14 203	10 904	15 018	18 827
Liabilities	49 205	67 355	73 291	78 378	70 471
Long-term payables	5 106	4 358	4 747	18 181	21 107
Long-term bank loans	21 447	22 195	17 647	13 461	12 451
Short-term bank debt	8 848	18 104	28 104	40 286	32 587
Short-term payables	14 384	21 684	19 869	16 504	13 678
Other liabilities	0	0	266	670	700
Working capital	41 998	45 694	37 557	31 082	36 936

Cash Flow Statement (in '000 BGN)	2008	2009	2010	2011	1Q 2012
Net income	25 664	14 668	12 782	19 156	3 893
Depreciation	4 108	4 796	6 111	8 718	2 527
Changes in Working capital	(16 285)	3 696	(8 137)	(6 475)	5 854
Other operating cash flow items	18 735	(9 502)	2 662	3 721	(3 584)
Net cash from operating activities	32 222	13 658	13 418	25 120	8 690
Capital expenditures	(25 899)	(11 687)	(15 877)	(19 518)	(1 674)
Other investing cash flow items	(1 207)	(5 442)	(2 318)	(3 042)	(2 249)
Net cash from investing activities	(27 106)	(17 129)	(18 195)	(22 560)	(3 923)
Issuance/ Retirement of Stock, Net	(3 671)	(2 724)	(1 830)	(3 039)	(1 032)
Issuance/ Retirement of Debt, Net	4 362	9 914	5 458	8 637	(8 707)
Dividends paid	(3 252)	(50)	(130)	(1 821)	0
Other financing cash flow items	(3 855)	(2 463)	(2 927)	(3 863)	3 289
Net cash from financing activities	(6 416)	4 677	571	(86)	(6 450)
Net change in cash	(1 300)	1 206	(4 206)	2 474	(1 683)
Beginning-of-period cash	5 934	4 634	5 840	1 634	4 108
End-of-period cash	4 634	5 840	1 634	4 108	2 425
Cash per share	0.12	0.15	0.04	0.11	0.07

Financial and Performance Indicators	2008	2009	2010	2011	1Q 2012
Valuation Ratios					
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	
Liquidity					
Current ratio	2.81	2.15	1.78	1.55	1.80
Quick ratio	1.30	1.12	0.89	0.83	0.94
Debt Management					
Debt to total assets	0.32	0.36	0.37	0.37	0.34
Interest coverage	19.71	11.70	7.63	8.60	7.19
LT Debt/Equity	0.25	0.23	0.18	0.23	0.24
Total Debt/Equity	0.47	0.57	0.58	0.58	0.51
Asset Management					
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	
Profitability					
Profit margin on sales	15.7%	12.8%	7.9%	10.5%	8.5%
EBITDA margin	21.1%	20.0%	14.6%	18.2%	16.5%
Basic earning power	19.7%	9.9%	8.7%	11.4%	2.4%
Return on assets	16.6%	7.9%	6.4%	9.0%	1.9%
Return on equity	24.3%	12.5%	10.1%	14.2%	2.8%
Return on investments	19.4%	10.2%	8.6%	11.5%	2.3%
Dividend Information					
Dividend Yield	3.75%	2.74%	2.78%	-	-
Dividend per share	0.18	0.18	0.18	-	-
Number of shares:					
	39 000 000	37 949 857	37 325 585	37 095 139	36 573 785
Price in BGN - period end:					
	4.75	6.50	6.30	5.25	4.15
Market cap in BGN - period end:					
	185 250 000	246 674 071	235 151 186	194 749 480	151 781 208

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