



EV/EBITDA	6.94	P/E	16.07
RoA	3.88%	P/S	0.79
RoE	9.45%	P/B	1.52

Stock Price of Kaolin



- The mining company Kaolin (6K1) reported very low loss for the fourth quarter of 2010 and finished the year with 55% increase as compared to the total 2009. Although we cannot exclude the possibility that the audited report will include the negative effect from the spin-off of SolarPro Holding on the net profit, the equity has been decreased by more than a quarter to BGN 79.77 million.

- The reported quarterly loss was BGN 26 thousands and it is significant improvement as compared to the seasonally weak quarter of the previous two years. Cold winter months are usually difficult period for Kaolin and are characterized by higher energy costs and low revenues. The improvement of 2010th financial results is in the back of much better profitability for the first and the last quarters. EPS for 2010 is BGN 0.32.

- Revenues for the last quarter fell 2.7% but the strong improvement during the first half of the year supported 13.6% growth of total sales in 2010. We expect that revenues will continue to increase in slower pace this year as recovery in construction industry stalled. However, the group did not disclose the exact information by sectors with the exception of the decline in construction sector by 26% for the year. The consolidation added BGN 6 million for the quarter or twice lower than year ago.

- Transportation costs are soaring - 40% increase for 2010. They managed to offset most of the gains in sales and the rising fuel costs will put additional pressure on the profit margins for the first quarter of 2011.

- The balance sheet has been changed significantly after the spin-off. Long-term debt-to-equity is 0.49 comparing to 0.70 at the end-2009. Total debt-to-equity fell to 0.94 from 1.08 but remains well above the average for Bulgarian companies. Current liabilities are 3% down but current assets decreased 27% since the beginning of the year. As a result, the working capital is twice less and Kaolin has substantially lower cash and receivables from related entities.

- The stock price of Kaolin added 5% year-to-date and lagged behind SOFIX and the other liquid companies. Multiples are improving gradually and Kaolin has good RoE and EV/EBITDA but its P/E ratio is above the market average.

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

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