



EV/EBITDA	13.26	P/E	20.67
RoA	6.68%	P/S	1.71
RoE	10.55%	P/B	2.18

Stock Price of Monbat



- Lead-acid batteries producer Monbat (5MB) reported strong improvement of sales but profit margins had been hurt by the rising lead price and the postponement of operations of recycling factories in Serbia and Romania. Company's profit estimates has been changed in November but Monbat was unable to meet even the lower forecasts for the last quarter.
- Nevertheless, revenues jumped to one of the best quarter in the company's history. We expect improvement in the profitability in 2011 as end-user prices will follow the rising lead and the cold weather will improve the demand of car batteries. Recycled lead usage was 47% of total lead consumption last year and was below the expected 57% share by the company. The main profits of Monbat are generated from recycling business.
- Consolidated sales for 2010 exceeded BGN 160.9 million. This is 40% above the previous year with the strongest increase posted during the first half of 2010. Growth in fourth quarter was 21% y-o-y. Monbat posted increased sales in all main markets with the exception of Italy. Germany remained the largest market with 22.7% of total revenues followed by France with 12%. Domestic revenues represented 10.27% of total consolidated sales.
- Profit after tax declined 13.6% in 2010 but EBITDA improved 4% as depreciation costs jumped. Bank loans also increased which resulted to higher interest expenses. Debt-to-equity stood at 0.36 and is at healthy level considering the solid cash from operations and EBIT along with the ongoing stock buy-back. Monbat also decreased its working capital but mainly due to the lower maturity of bank loans.
- The combination of rising stock price and deteriorating profit sent valuation ratios on the upside. P/E is above 20 and exceeds the multiples of most other liquid industrial companies in Bulgaria. However, Monbat reported very strong preliminary results for January and we expect that multiples will improve gradually during the course of the year unless another price increase takes place.

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For more information, please contact:

Research analyst
Tsvetoslav Tsachev
Tamara Becheva

Phone:
+359 2 810 00 23
+359 2 810 07 23

E-mail:
tsachev@elana.net
becheva@elana.net

Internet:
www.elana.net
www.elana.net