



EV/EBITDA	-15.29	P/E	-3.17
RoA	-8.59%	P/S	0.79
RoE	-12.76%	P/B	0.40

Stock Price of Sparky Eltos



- The electric hand tools maker Sparky Eltos announced again rising quarterly loss that surpassed the market's expectations. The disappointment didn't have any implication on the market price but the stock is trading at very low price-to-book ratio. The total loss for 2009 exceeded BGN 11.6 million or 0.69 EPS.

- However, the good news was the gradual increase of revenues during the last three quarters of 2009. It is highly probable that the worst is over but we don't expect significant improvement in sales this year. 2009's results showed 74% lower revenues that were twice below the sales in 2004.

- The first quarter is seasonally weakest in terms of revenues and this is the reason to expect lower quarterly sales in Q1 2010 but we forecast high double-digit growth on yearly basis. Revenues should not be sufficient to improve the financial result of Eltos close to the break-even. The rising prices of metals during 2009 had negative impact on the profitability ratio of the company. Eltos managed to decrease its labor costs but they remain at very high percentage of total sales due to the huge decline of sales.

- Trading payables jumped significantly during Q4. At the same time Eltos increased its short-term bank loans but part of it was due to the shorter duration of long-term bank credits. The company could not improve its tangible assets – receivables from related companies increased to BGN 38.6 million, whereas inventories exceeded the yearly sales by 50%.

- The rising US dollar is having negative implication on the long-term liabilities of Eltos that are dollar-denominated. However, the effect will be offset by the higher revenues from export.

- The P/B ratio of 0.40 is not attractive for investors due to the expected huge loss while yearly revenues stays below BGN 40 million and the negative impact on the capital of the company. We also want to see the revenues in Q1 and Q2 before to expect stable increase of the company's sales. In any case, Eltos will post yearly loss in 2009 unless it manages to decrease significantly its inventories, receivables and its liabilities.

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Market Perform	Market performance, +/-5% as compared to SOFIX and BG40
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