



EV/EBITDA	9.44	P/E	29.05
RoA	1.82%	P/S	1.04
RoE	4.56%	P/B	1.32

Stock Price of Kaolin



- The fourth quarter showed again good improvement of the revenues as compared to the previous period and the same quarter of 2008. Moreover, the consolidation added the record BGN 9.1 million of revenues during the quarter. Sales were BGN 135.6 million or 4.3% lower than 2008.

- The extraction of non-metallic minerals for the construction industry posted improvement during the third quarter and were stable during the last quarter of 2009. However, the main contributors for the growth were the foreign companies in Serbia and Ukraine.

- Revenues from the products for the glass and ceramic industries declined in 2009 but were offset from the sales of limestone for the termo-power plants. The demand from the metallurgy and the paper sector remained subdued. The share of the products for the metallurgy was 5% of the total consolidated sales due to the contribution of the Serbian companies as the segment represented only 2% of the non-consolidated revenues.

- However, the profit for the last quarter continued to weaken. It is sensitive to the seasonal demand but the weakness for the total 2009 was due to the rising depreciation costs and interest expenses that jumped by BGN 5 million as compared to the previous year. This is similar to the difference of the net profit, as EBITDA remained unchanged. The net profit fell to BGN 4.68 million or BGN 0.19 per share. Transportation costs declined substantially due to the lower fuel costs and the free capacity.

- Kaolin's liabilities increased in 2009. The company's long-term and short-term debt increased by BGN 40 million. Debt-to-equity ratio increased to 1.08 from 0.64 at the end of 2008. The interest payments of Kaolin are significantly less than EBITDA.

- We expect that consolidated sales of Kaolin will recover faster from the crisis due to the broad product portfolio and the geographic expansion. However, it is too early for quick recovery in the construction and ceramic industry that could increase significantly the domestic revenues.

## Disclaimer

**Analyst Certification:** The research analyst(s) certifies that: (1) all of the views expressed in this document accurately reflect his or her personal views about any and all of the subject securities or issuers; (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this document.

**Financial Interest:** ELANA Trading may trade or own shares of the analyzed companies. The research analyst(s) is not holding shares of the analyzed companies, unless otherwise noted.

**Regulatory Authority:** Financial Supervisory Commission, *Shar Planina* Street 33, 1303 Sofia, Bulgaria

**Information Disclosure:** All reasonable care has been taken to ensure the facts stated are accurate and opinions given are fair and reasonable. Our recommendations are based on information available to the public that we consider to be reliable but for the completeness and accuracy of which we assume no liability. Neither ELANA Trading, nor its directors, officers or employees shall in any way be responsible for its contents. The views expressed may differ from the views of other firm departments or representatives. Additional information is available upon request. Unless otherwise noted, sources for all information in charts and tables are ELANA Trading's calculations.

**Risks for Investors:** Information in this document should not be regarded as an offer to buy or sell any financial instruments. The investment possibilities discussed in this document may not be suitable for certain investors depending on their specific investment objectives and time horizon or in the context of their overall financial situation. In particular, the risks associated with an investment in the securities or the financial instruments under discussion are not explained in its entirety. The prices or values of the securities may go down as well as up and can fluctuate and fall against the investor. The securities or investments may cause the investor to lose the amount invested. Past performance is not a guide to future performance. Changes in exchange rates may have an adverse effect on the value, price or income of the securities or investments.

**Valuation Methods:** Company valuations are based on the following methods: multiple-based (P/E, P/B, EV/EBITDA), historical valuation approaches, peer comparisons, discount models (DCF, DDM) or asset-based evaluation methods. Valuation models are dependent on macroeconomic factors, including interest rates, foreign exchange rates, prices of raw materials, and any expectations about the economy, the market sentiment. The valuation is based on expectations that might change rapidly and without notice, depending on developments specific to individual industries and countries. Recommendations and target prices derived from the models might therefore change accordingly. The application of models depends on forecasts of a range of economic variables, thus there is a range of reasonable variations within models. Any valuation is dependent upon inputs that are based on the subjective opinion of the analysts carrying out this valuation.

**Recommendations:** Analyst(s) recommendations are based on the specific factors for the company, sector, country and global developments, as compared to market indices. Recommendations and opinions reflect ELANA Trading's expectations over the 12-month period following publication from the perspective of long-only investment clients. ELANA Trading reserves the right to express different or contrary recommendations and opinions for different timescales or for other types of investment client. Except as otherwise noted, expected performance over next 12 months vary for different recommendations for Bulgarian stocks as follows:

---

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

---

**Frequency of Recommendations:** No schedule of recommendations is available. The frequency of recommendations depends on specific factors to individual companies and the opinion of the analyst(s) for the necessity of minor or major changes.

**Copyrights:** The copyrights of ELANA Trading analyses belong to the Research Department of the brokerage and their content cannot be used for commercial purposes. Replication and redistribution of ELANA Trading analyses content is expressly prohibited without the prior written consent of the appointed contacts listed below.

For more information about the current recommendations, please visit ELANA Trading web page: [http://www.elana.net/analysis/reports/bul\\_f\\_pazar\\_7/LIST\\_Recommendations.pdf](http://www.elana.net/analysis/reports/bul_f_pazar_7/LIST_Recommendations.pdf)

### 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](mailto:tsachev@elana.net)  
[becheva@elana.net](mailto:becheva@elana.net)

Internet:  
[www.elana.net](http://www.elana.net)  
[www.elana.net](http://www.elana.net)