



EV/EBITDA	19.94	P/E	neg.
RoA	-12.26%	P/S	1.04
RoE	-16.11%	P/B	2.27

Stock Price of Neochim



- The fertilizer producer Neochim exceeded all expectations during the first quarter of 2010 as exports soared. Revenues increased 109%, which resulted to profit after four consecutive quarters of losses. The news surprised the market and the stock gained five percent.
- The profit before tax for the period was BGN 2.395 million or BGN 0.90 earnings per share. Profitability decreased as compared to 2006 and 2007 as costs of natural gas increased during the last several years. However, the expenses for natural gas represented 58.8% of the total revenues during the quarter, which is significant improvement to the 73% for 2009 and is close to the 54.5% in the record 2008.
- This level of cost to revenues is consistent with profit but we want to emphasize that the quarter is the seasonally strongest. Moreover, technical maintenance during the other periods is contributing for large usage of resources and lower profit margin.
- Quarterly revenues increased due to exports to Europe and Africa. Those are relatively new markets for Neochim. The company managed to decrease two thirds of its inventories but increased production resulted to higher level of ammonia in storage. Receivables also increased due to the higher revenues.
- Domestic sales declined during the period to BGN 22.98 million or 16%. The main reasons were problems with financing of domestic producers and the volatile prices of agricultural production. Increased competition among fertilizer producers also contributed for the decline of domestic sales.
- Prices of crop nutrients declined sharply from a year ago on global scale following the correction of the grain prices and the lower prices of natural gas. We don't think that exports will return again to 2008 levels in foreseeable future but the first quarter report is showing significant improvement in the external demand.
- The Management of the company forecasted sales growth in the range 51%-62% for 2010 as compared to the previous year. The expected revenues from ammonium nitrate are BGN 130 million with 40% share of the export. The investment program of Neochim to 2014 amounts BGN 11 million.

## 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 00 27

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)