



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.

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