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|-----------|-------|-----|------|
| RoC | 7.29% | P/E | 6.23 |
| RoE | 4.25% | P/S | 0.58 |
| EV/EBITDA | 5.46 | P/B | 0.26 |

Stock Price of Albena



- The consolidated report of the sea-side resort Albena could be more unpleasant for the market but the non-consolidated results already disappointed the investment community. Revenues improved last year but the profit margins deteriorated further. The negative quarterly result is the largest for the last several years.
- The cost pressure is significant. All groups of expenses increased last year as the inflationary pressure in Bulgaria was at its peak. Labor cost increased by 21.4%, whereas costs for materials and the value of assets sold were 10.5% and 20.5% higher. Depreciation jumped 16.4%. Those costs represented 75% of all total expenditures.
- More important factor for the huge decline of the net profit (47%) is the 80% drop of the revenues from operations with securities. Excluding them, the profit before taxes should be down 37% to BGN 12.6 million.
- The market is frustrated from the lower profits as Albena was among the companies with stable performance. However, the current valuation ratios remain at low levels. P/E ratio is 6.23, whereas the company's equity is four times higher than the current market capitalization.
- The stock price was influenced by the negative expectations for the tourism. Hotels should lower the prices to respond to the diminishing demand. This is applying to Albena also as the company already faced with less visits from key Western markets. However, the negative trend was compensated by the solid increase of tourists from Romania and Russia but in the light of the current economical downturn in those countries it should be more difficult in 2009 for Albena to replace the lower booking.
- Albena's debt level continued to deteriorate. The company is financing its investments through bank loans that had negative impact on interest cost and depreciation. The swap deal of assets with the majority owner of Albena should inject some cash and although the buying of small airfield doesn't look lucrative during the economic slowdown, the company has very attractive valuation in terms of assets and brand.

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

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