



EV/EBITDA	2.69	P/E	3.01
RoA	33.59%	P/S	0.56
RoE	42.73%	P/B	1.29

Stock Price of Neochim



- Neochim posted another successful quarter in contrast to the seasonal maintenance during the previous several years. Sales are hardly changed q-o-q and are 78% higher for the first nine months of the year. The net profit continued to decrease after the better two quarters of 2008 and was BGN 14 million. This is mainly consequence of the slight increase of natural gas price during the period and the lower volumes of production.

- This year the export is more than the domestic sales. The favorable market conjuncture should continue to support the export of Neochim as the demand of food is less susceptible to the crisis than other goods. It is likely that fast growing emerging markets will continue to consume more calories per capita, although the growth will decelerate. The domestic demand will continue to grow as long as subsidies from EU and banking credits are available. Even the tight credit conditions could only decelerate the growth of domestic consumption, which will remain well above the average in Eastern Europe.

- Cheaper natural gas will decrease the cost pressure on the global production of fertilizers. This is the main threat for Neochim during the next two or three quarters as domestic end-user price of natural gas is expected to jump 50%. Neochim could lose competitive advantage but the huge profit margin and the large investment program are substantial buffers during the tough times.

- The valuation ratios of Neochim are the best among Bulgarian blue chips. It is obvious that they incorporate future bad news in terms of lower profit margins and lower sales. The price of ammonium fertilizers of delivery in Ukraine slumped in October by 40%. Additional decline is probable during the seasonally weakest period. However, the free capacity of the fertilizer industry is still low in global scale and the falling transportation cost will provide better export opportunities for fast growing overseas markets.

- Neochim increased slightly its inventories, whereas receivables rose along with the overall growth rate of revenues.

- The company covered most of its short-term bank debt and its liabilities are less than 22% of total assets.

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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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