



EV/EBITDA	4.28	P/E	5.35
RoA	8.94%	P/S	0.78
RoE	11.40%	P/B	0.61

**Stock Price of Sparky Eltos**



- The electric hand tools producer Sparky Eltos continued to perform very well, despite the decline in construction. The company is exporting to 70 markets, which helped to subdue the negative effect in some markets. The profit before tax is BGN 3.048 for the quarter or 3.6% lower than the same period of the last year and 6.8% below the second quarter of 2008. However, the stable performance could result to BGN 10.5-11 million net profit for 2008 that will maintain the P/E ratio below 6 at current prices.

- Revenues were also lower on quarterly basis but the volatility of sales is lower than the results from a year ago. This is the good news for Eltos as it shows the positive development of the company and its market positions. The products of Eltos are positioned between the low-priced segments and the more expensive tools of well-known brands like Bosch.

- Eltos is facing the decline of world-wide construction activity with changes in the product line. The company is investing in the production of professional hand tools with batteries and will increase the share of the more profitable production lines.

- The rising costs for materials also limited the growth of profit margins. However, the recent decline of aluminium price and oil price, which is used for the production of plastics, should tame the negative effect on margins from the global economic slowdown.

- The company announced that it is facing higher demand of its products this year. The inventories are rising in line with the overall growth of revenues but Eltos posted also a huge increase of receivables from related entities. The short-term receivables are financed by long-term debts. At the same time the short-term liabilities of Eltos are decreasing.

- The stable growth rates of profits and sales didn't change the current multiples of Eltos. Moreover, it is likely that they will remain hardly changed for 2008. Current P/E of 5.25 is below the average for Bulgarian companies and is pricing in some weakness of sales and margins next year.

- The market is not reacting positively to the news. It is obviously that the huge correction so far this year and the stable profits could provide some room for recovery of the price, when the market stabilizes and investors' worries about the sector begin to fade away.

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