

## STARA PLANINA HOLD

### INDUSTRY: DIVERSIFIED HOLDINGS

## HOLDING THE INDUSTRIAL GROWTH

THE TWO LARGEST SUBSIDIARIES OF STARA PLANINA HOLD - M+S HYDRAULIC AND HYDRAULIC ELEMENTS AND SYSTEMS ARE AMONG THE FAVORITES OF BULGARIAN INVESTORS. THE COMPANIES ARE PRODUCERS OF HYDRAULIC MOTORS AND CYLINDERS USED IN HEAVY INDUSTRIES LIKE CONSTRUCTION EQUIPMENT, LARGE TRANSPORTATION AND LIFTING VEHICLES.

### EXPOSURE INTO THE EU MACHINERY SECTOR

Stara Planina Hold has assets in the machinery, electrical engineering, cosmetics and textile industries. The Holding is engaged in the management of its subsidiaries but the companies don't have synergies between them. The two biggest subsidiaries of Stara Planina Hold are the public listed companies M+S Hydraulic (5MH) and Hydraulic Elements and Systems (4HE). They represent 57% of the Holding's assets, produce hydraulic systems and supply to leading manufacturers in Europe and USA. Their main advantages include the high quality of products and competitive prices; the depreciation of the euro and the benefits from the growth of industrial production in Germany and Italy.

### SOLID BALANCE SHEETS AND REGULAR DIVIDENDS

The Holding and its subsidiaries have near zero debts and large cash assets. It provided the opportunity to continue the investment projects in modernization without financing by EU programs. The management continues to develop the non-core assets and the smallest companies improved their performance last year. The regular dividends are due to the stable cash flows and low debts of the subsidiaries. The Holding also distributes dividends, albeit at a lower yield.

### STARA PLANINA HOLD IS CHEAPER STOCK THAN ITS SUBSIDIARIES

Shares of Stara Planina Hold are usually traded at lower multiples when compared to its subsidiaries. We expect the Holding's shares to follow its subsidiaries, mainly depending on the financial results of the companies. Arbitrage gains could follow the speculative money only during a market rally. We expect the Holding's shares to outperform its subsidiaries in mid-term due to the advantage of lower multiples.

**VALUATION:** We give a Hold recommendation to the shares of the Holding despite the 34% discount to the value of its subsidiaries, according to our DCF valuations for each of the largest companies in the group. We value the stock at BGN 5.71, when taking into account the stakes in listed and non-listed companies. On the other hand, the constant offering of stocks from minority shareholders pushes down the price of Stara Planina Hold.

**RISKS:** The cyclical decline of demand of machinery represents the biggest risk for the Holding due to its large exposure in the sector. Revenues of the largest subsidiaries depend on global growth. Lower prices of oil and base metals lead to decrease of investments in the sectors and might further constrain the demand. Appreciation of the euro will have negative impact on the EU-produced machines.

in kBGN, excl. ratios	2014	2015F	2016F	2017F
Revenues	182,391	176,919	183,996	193,196
EBITDA	30,462	26,043	30,373	32,302
EBIT	17,917	13,269	16,560	18,354
Net profit	6,859	5,111	6,120	7,030
Equity	78,816	81,883	86,779	92,403
RoE	8.96%	6.36%	7.26%	7.85%
RoA	3.85%	2.87%	3.38%	3.71%
EBITDA margin	16.70%	14.72%	16.51%	16.72%
Net profit margin	3.76%	2.89%	3.33%	3.64%
EPS	0.33	0.24	0.29	0.33
Debt/equity	0.02	0.02	0.02	0.02
P/E	13.17	17.46	14.58	12.70
P/B	1.15	1.09	1.03	0.97
EV/EBITDA	1.86	2.22	1.91	1.65
Payout ratio	0.31	0.20	0.20	0.20
Dividend yield	2.36%	1.15%	1.37%	1.58%

## HOLD

ONE YEAR PRICE TARGET: BGN 5.71

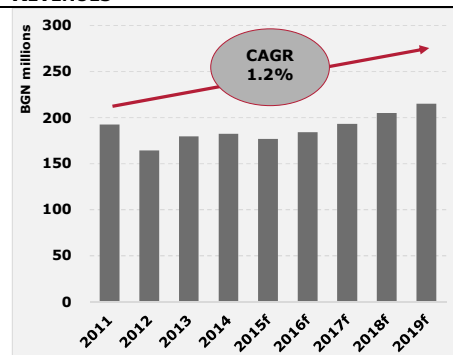
CURRENT PRICE: BGN 4.25

EXCHANGE RATES  
 EUR/BGN(FIXED): 1.95583  
 USD/BGN: 1.76

### MARKET DATA

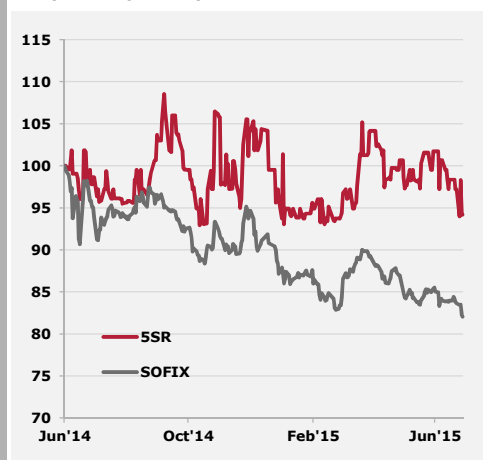
Shares Outstanding:	21m
Share Capital:	BGN 21m
Free-float:	59.26%
Treasury Shares	0%
Market Cap.:	BGN 89.3m
Avg. Daily Vol.:	BGN 20,000
52 Weeks Range:	BGN 4.00-4.69
BSE Ticker	5SR
Bloomberg	5SR BU

### REVENUES



Source: Company data, ELANA Trading estimates

### PRICE PERFORMANCE



Source: Bloomberg

## EXECUTIVE SUMMARY

**WE INITIATE COVERAGE WITH A HOLD RATING OF STARA PLANINA HOLD. OUR ONE YEAR PRICE TARGET IS BGN 5.71 OR 34% UPSIDE POTENTIAL TO THE CURRENT MARKET PRICE.**

### THE COMPANY

Stara Planina Hold (The Holding) has been established in 1996 as a fund that took part in the mass privatization in Bulgaria. Later on, the Holding restructured its investment portfolio to include large stakes in companies in the sectors of machinery, electrical engineering, cosmetics and textile. Stara Planina Hold is engaged in the management of its subsidiaries and provides financial resources to investment projects of the companies. Since the inception of the Holding it is constantly investing into increase of productivity and market shares of its subsidiaries.

**Revenue breakdown:** The main assets of Stara Planina Hold are the manufacturing companies M+S Hydraulic (BSE Ticker: **5MH**) and Hydraulic Elements and Systems (BSE Ticker: **4HE**). They produce various hydraulic motors and cylinders, used in the machine building of leading companies worldwide. The two subsidiaries are not competitors to each other and are suppliers to different companies. In terms of assets of the Holding the segment represents 57% of its investments. It also generates the majority of the consolidated revenues as Stara Planina Hold consolidates the results of M+S Hydraulic, which is an associated company. Thus, 74% of sales come from hydraulic elements.

The other companies include the producer of starter and traction batteries Elhim-Iskra (BSE Ticker: **52E**), the cosmetics company Bulgarian Rose (BSE Ticker: **4BH**), the textile producers Fazan (BSE Ticker: **4F5**) and Boriana. Of them only Elhim-Iskra has a sizable contribution to the revenues of the Holding and takes the third place after M+S and HES. Nevertheless, the smaller subsidiaries reported sizable growth of sales last year due to the efforts to stabilize their positions on the domestic market.

**Broad scope of operations:** The Holding has diversified portfolio of assets but exposure to cyclical industrial sectors is the primary risk for the Holding as the contraction of revenues proved in 2009. Nevertheless, the revenues recovered after the economic crisis. Stara Planina also revived its smaller subsidiaries that suffered from the severe competition in the textile industry. These diversifications should make revenues less volatile as consumer demand in Bulgaria has low correlation with the global manufacturing production.

**Dividend policy:** Stara Planina Hold has policy of regular dividend payments but they are lower than the average for the market. The recently distributed dividend of the Holding has 2.4% yield, which is substantially higher than the 5-year average of 1.1%. At the same time, the subsidiaries pay much higher dividends to its shareholders and recently increased the payout ratios to 0.75. The companies generate solid cash, while the lack of fresh investment projects and the near-zero debt, make it the only reasonable step. M+S Hydraulic has 5.5% average yield for the past 5 years, when calculated at the end-year stock prices. The payout ratio increased from 36% in 2011 to 75% for the last payment. Average yields of Hydraulic Elements and Systems and Elhim-Iskra were lower, 3.4% and 2.7%, respectively. The similarity, however, can be found in the increase of payout ratios to 0.75.

The dividend yields of the Holding and its subsidiaries are not enough to justify buying the stocks. Moreover, the higher payout ratios confirm the lack of investment opportunities at the moment. The low debt-to-equity ratio limit the potential increase of ROE without financial leverage.

### THE COUNTRY AND THE MARKET

Bulgaria is under a Currency board and the Lev is pegged to the Euro at fixed rate of 1.95583. We expect a modest economic growth in 2015, although the recovery in Europe will support export and will contribute to the rise of personal income and corporate profits. The GDP growth will remain below the potential but industrial production and export should improve due to the decline of the euro. The end of deflationary factors should support the income in service sectors, thus creating positive environment for growth of personal income and investments.

The main operations of Stara Planina Hold are dependent on the demand of heavy machinery and the competitive advantages of the Holding's clients. The global economic growth remained subdued, while the industrial production in Europe showed signs of recovery. The economic activities in the country, represented by the business climate, the investments and the personal consumption, also support the positive expectations in mid-term for the Holding's subsidiaries that operate on the domestic market.

### THE VALUATION

We initiate coverage of Stara Planina Hold with HOLD recommendation, despite the 34% discount to fair value according to our valuation. The stock is cheap when taking into consideration the value of its subsidiaries. We expect it to remain among the favorite positions of local investors. The drawbacks include the lower liquidity of the Holding and its main subsidiaries. P/E ratios of the subsidiaries are above the average for Bulgarian industrial companies and further increase of stock prices require better margins and higher sales. This is the reason we prefer Stara Planina Hold over its subsidiaries.

Our price target is BGN 5.71 or 34% higher than the latest quotes. Although the 33% premium over the latest price provides very good upside potential, the stock tends to trade at low multiples and we don't expect it to close the gap over the market cap of its subsidiaries.

### THE MAIN RISKS

The large exposure on the machine building represents the biggest risk to the Holding as any cyclical decline of global industrial production should exponentially affect the revenues of its subsidiaries. Moreover, the light industries in the portfolio of Stara Planina Hold are susceptible to the contraction of consumer demand in Bulgaria. Thus, the diversification of the assets might not provide protection from the cyclical factors.

## COMPANY OVERVIEW

The Holding has been found in 1996 and participated in the mass privatization in Bulgaria. It restructured its portfolio of assets during the following years to focus on machine building, electrical equipment, pharmaceutical and cosmetics and textile sectors. The Holding is active in the management of its subsidiaries and provides financial support for the investment project of the different companies. The policy to redistribute funds for the subsidiaries proved to be the key factor for the development of the Group as it managed to increase several times the revenues without acquisitions of new assets.

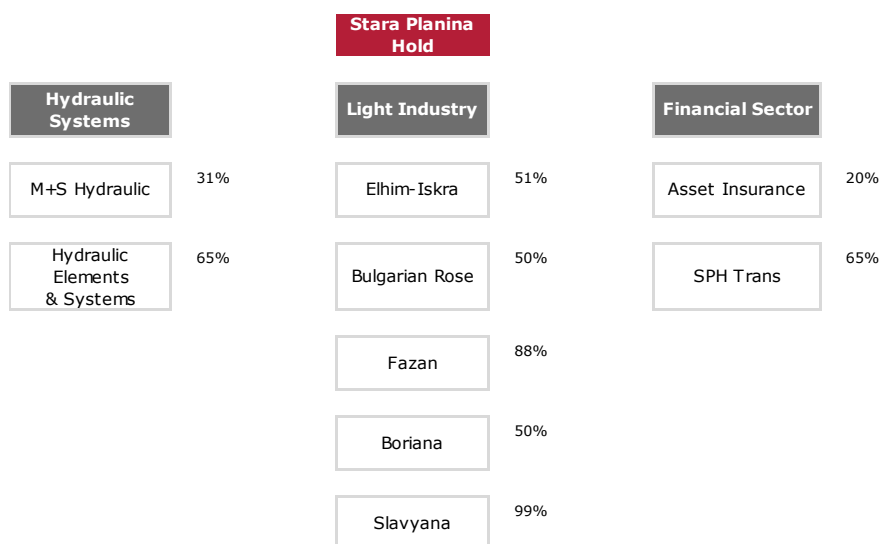
*Industrial holding in the machine building and the textile*

The subsidiaries of the Holding don't have any synergies between them, neither their products are complementary. The financing of investments is solely based on the profitability of the particular project.

The segments of the Holding can be divided in two main area:

- Heavy industry – the two biggest companies M+S Hydraulic and Hydraulic Elements and Systems produce various hydraulic motors and cylinders, used in the machine building of leading companies worldwide. Their products are used in agricultural machines, various construction and lifting equipment and machines, including excavators, bulldozers, lifting platforms, cranes. Both companies are among the market leaders in their niches and export all their production.
- Light industry – the segment includes the smaller companies and the producer of starter and traction batteries Elhim-Iskra. The main market for their products is Bulgaria. They have lower significance in the consolidated results of the Holding but will benefit from the recovery of the domestic demand.

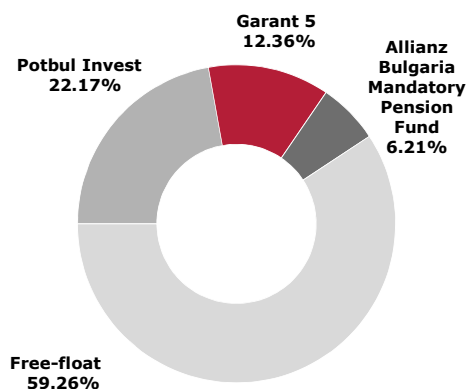
## STRUCTURE OF HOLDINGS



## SHAREHOLDERS' STRUCTURE

The free-float of Stara Planina Hold is substantial. Most investors are tens of thousands individuals with small stakes from the mass privatization. The biggest minority shareholder is Potbul Invest is registered in -Panama, while the second largest is Garant 5 has the same management as Stara Planina Hold. The two companies have control over the Holding as other minority shareholders are passive investors.

Institutional investors, mainly Bulgarian pension and mutual funds, have minority stakes less than 5% with the exception of Allianz Bulgaria Mandatory Pension Fund.



**POTENTIAL CATALYSTS**

**Economic growth:** The growth of industrial production in Europe and the recovery of demand of machinery worldwide are the key factors for the future performance of Stara Planina Hold. The main subsidiaries of the Holding will bear fruits from the decline of the euro and the expansion of money supply that the ECB performs. Revenues of M+S Hydraulic and Hydraulic Elements and Systems are exceeding the Holding's expectations and we consider that the companies will register low single-digit growth in 2015.

**Dividends, debt and investments:** As mentioned above, Stara Planina Hold has insignificant debt that limits the positive effects on ROE from the leverage. The three largest subsidiaries also generate more cash than their mid-term needs, including the investments in fixed assets. As a result, we see two possible scenarios of development. The first is to use more leverage if the Holding and its subsidiaries distribute larger dividends and take loans in the current low interest rate environment. They increased the payout ratios to historical highs of 0.75. The increase of debt should come via new investment. It will take few years of this policy to affect the ROE. The second scenario is the acquisitions of smaller companies, which we consider it a distant possibility due to the lack of history of deals and plans to expand operations.

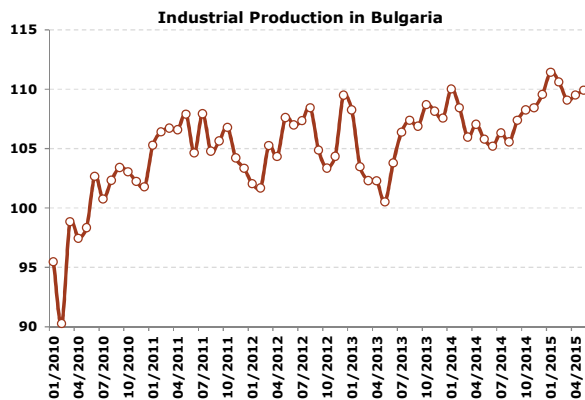
**SECTOR OVERVIEW**

**INDUSTRIAL PRODUCTION**

First signs of recovery of the European and Bulgarian industrial production are already present. 2015 started with an increase of Bulgarian industrial production on yearly basis that could be attributed to the improvement in export-oriented sectors. The machinery sector continued its positive trend, albeit with higher volatility on the monthly figures. The main subsidiaries of Stara Planina Hold also reported small improvement of revenues that coincided with the overall positive growth of the sector in Bulgaria. On the other hand, the production of textile and apparel weakened during the past few years due to the severe price competitiveness from China. Therefore, the improvement that the smaller subsidiaries of Stara Planina Hold registered last year is more significant. It gives excellent appraisal to the management of the Holding and its ability to withstand the tough competition in the sector.

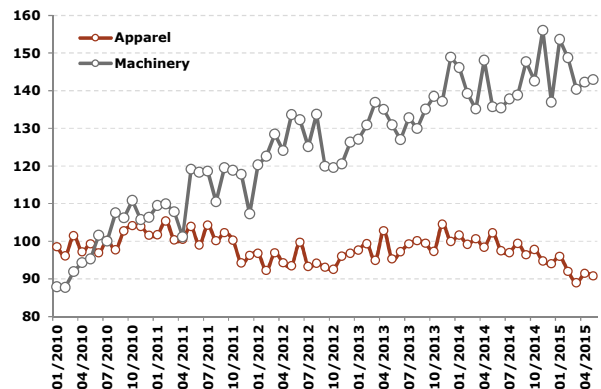
*Recovery of industrial production as sign for future growth of sales*

Exhibit 1: 2015 started with modest growth of Bulgarian industrial production y-o-y; May was 3.9% higher



Source: National Statistical Institute

Exhibit 2: The machinery production reported steady growth but the clothing and textile sectors actually contracted



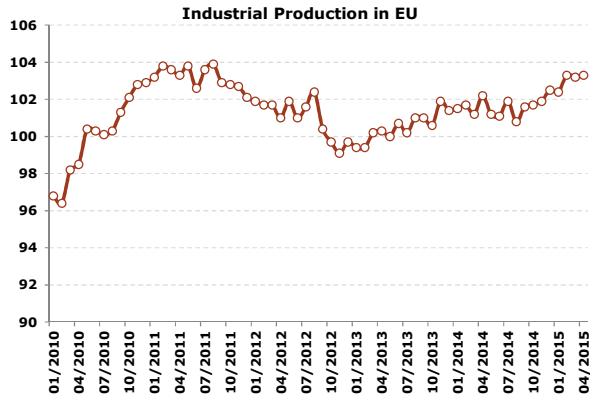
Source: National Statistical Institute

The index of industrial production in EU inched up since the third quarter of 2014. This should not be a surprise as the monetary policy easing of the ECB and the consequent devaluation of the euro improved the trade positions of EU industrial goods. Most Bulgarian machinery exporters, including Stara Planina Hold's subsidiaries, are subcontractors of large EU companies. The orders they receive are following the overall trend. Thus, they were less affected during the weakness in Europe in 2012.

*Monetary easing support the industry in EU*

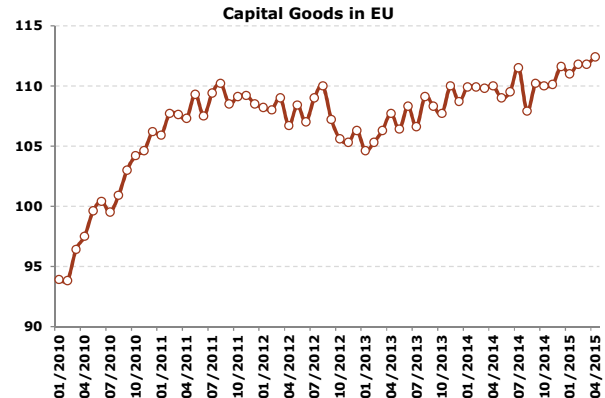
The conditions on the heavy machinery markets are challenging. Low commodity prices continue to be a headwind to the end demand from the mining companies, especially after the slowdown of investments in oil and gas infrastructure. This can be seen in Russia but also in Australia, which is hurt by the lower prices of ore and coal. The heavy machinery manufacturers will face additional decline of demand but in substantially lower degree than the past quarters. The reasons include the stimulus program in China and the recovery of the oil price.

Exhibit 3: Europe is recovering since mid-2014



Source: Eurostat

Exhibit 4: Production of capital goods is on new cyclical peak



Source: Eurostat

Although, we have positive mid-term expectations for M+S Hydraulic and Hydraulic Elements and Systems due to the recovery in EU, the main risk remains the falling export to Russia due to EU sanctions. The Bulgarian manufacturers are already experiencing the negative effects. Hydraulic Elements and System and Elhim-Iskra are reporting a decline of orders from Russia, which will lead to decrease of revenues on quarterly basis in Q2. Moreover, the negative trend will continue and the companies might lose up to 18% and 28% of their revenues, respectively. This is the most negative scenario that assumes the decline of export to zero, although the Bulgarian companies have products with no analog or expensive substitutes. We consider the most likely outcome from the sanctions to be the gradual substitution of Bulgarian products wherever possible. The subsidiaries of Stara Planina Hold will convert to EU clients only and will sell to Russia indirectly. The example is the new production facilities of Palfinger Group, the biggest customer of Hydraulic Elements and System, built in Russia to work with the biggest car manufacturers in the country. The current decline of industrial production in Russia will have implications on demand of machinery from EU companies but the effect on Stara Planina Hold is still negligible one year after the crisis.

*Export to Russia remains the main risk for the Holding*

The companies of Stara Planina Hold should benefit from the 20% decline of steel prices during the first half of the year. Although the improvement of financial results of Hydraulic Elements and System was due to the export of high value added products, the material costs in the consolidated report of the Holding represent more than 50% of total. We expect lower expenditures to offset partially the negative effects from the Russian market in 2015.

Exhibit 5: The decline of industrial production in Russia will decrease further the sales of Stara Planina Hold



Source: Bloomberg

Exhibit 6: The positive news come from the lower costs of materials as steel price fell



Source: Bloomberg

## M+S HYDRAULIC OVERVIEW

M+S Hydraulic is a leading Bulgarian manufacturer of low speed, high torque, orbital hydraulic motors, hydrostatic steering units, brakes and accessories. The company is competing with global leaders like Eaton, Sauer-Danfoss, Parker and White. M+S Hydraulic has a well-developed distributor network in more than 32 countries worldwide. The company expands its market presence in Eastern Europe, Asia and South America, while maintaining its positions with the existing clients in Europe and USA. They include:

- Terex, Genie in USA
- Manitou, Pinguely-Haulotte in France
- Sandvik Tamrock, Avant Techno in Finland
- GKN group in Belgium and Norway
- Comer Industries in Italy
- Aichi in Japan
- Krauss Maffei, Krone Gruppe in Germany

The advantages of M+S Hydraulic include the lower price of its products that make it more competitive than other EU companies in the sector. Moreover, the quality of products and the customization according to the clients' specifics are the strong side of the company.

Prices of metals are the most important factor for the profitability of M+S Hydraulic. Material costs represented 45% of total expenditures on average for the past four years.

*Competing on a global scale with a well-developed distribution network*

## HYDRAULIC ELEMENTS AND SYSTEMS OVERVIEW

Hydraulic Elements and Systems (HES) is a leading producer of hydraulic cylinders in Eastern Europe and exports 97% of its production to the EU and USA. It operates mainly under customers' specific requirements with no standardized product. Main customers are Palfinger Group, Rostselmash and Stertil. The cylinders are used in the production of various handling equipment like cranes, fork-lifts and dumpers. They are essential parts for construction machines, including excavators, bulldozers, front shovels, concrete mixers and lifting platforms. They are also applied in agricultural and forestry machines.

As in the case of M+S Hydraulic, the products of HES are designed to meet the specific requirements of clients. The company gradually turned into a big subcontractor to Palfinger Group with sales of BGN 30 m from total revenues of BGN 41.7 m in 2014 or 72% of 2014 total turnover. Considering the crisis of Russian manufacturing, Palfinger's strategy was to enter the market via joint-ventures and to establish local production. It cooperates with largest car makers and will benefit in long-term from the import-substitution in Russia. HES, on the other hand, is not threatened to lose its position as a supplier to Palfinger and will benefit from the growth of its customer's business in Russia. HES, however, grew in 2014 by selling to other companies, including the Russian Rostselmash. HES is competitive company due to its tight schedules of production, high quality and low prices.

*Leading producer of hydraulic cylinders in Eastern Europe*

## ELHIM-ISKRA OVERVIEW

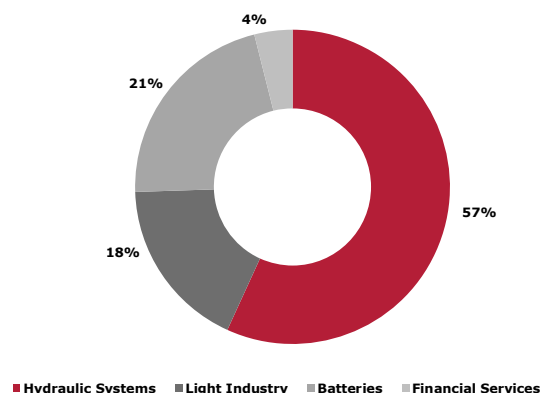
The company is a manufacturer of lead-acid starter, traction and stationary batteries. Their applications are in automotive vehicles and transportation equipment, including road construction and warehouse vehicles. The stationary batteries are used in the telecommunications, photovoltaic and wind power plants, backup power stations. It is a relatively small producer of automotive batteries both in terms of volumes and sales compared to the leading local lead-acid batteries producer of Monbat (5MB). The large share of traction batteries and elements is consequence of the legacy of the big production of fork-lifts in Bulgaria several decades ago. The investments in new products were delayed and the company missed the opportunity to offer modern starter batteries.

The company is export-oriented as more than 90% of revenues come from foreign markets. It is losing market positions in Bulgaria and reported 40% decline of sales in 2014 as compared to 2013. The markets with losses include Ukraine and Belarus, whereas the company maintained its revenues in Russia due to the export of battery elements, which offset the lower demand of traction batteries in the region. Elhim-Iskra manages to maintain revenues but it sells products with lower profitability, including elements for locomotive batteries that operate in tough climate and have competitive advantages over other brands. Further decline of revenues from traction batteries to Ukraine (58% decline of sales for two years) and Russia is due to the contraction of production of fork-lifts and other machines. Elhim-Iskra reported 15% growth of revenues in May but the profit declined. This trend might continue but it is an unsustainable source of growth.

*The third largest subsidiary produces lead-acid batteries*

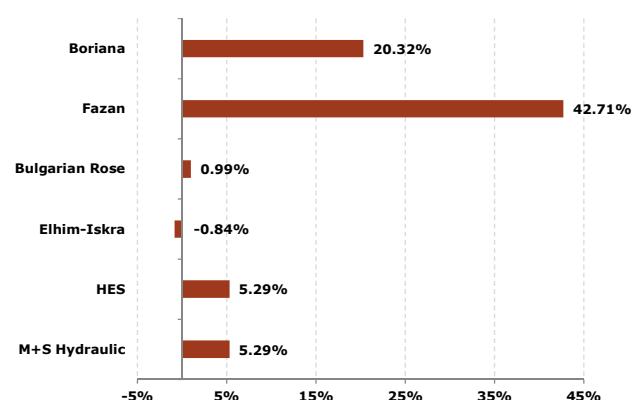


Exhibit 7: Structure of assets in the portfolio of Stara Planina Hold



Source: Stara Planina Hold

Exhibit 8: Change of revenues in 2014 on yearly basis by subsidiary



Source: Stara Planina Hold

## FINANCIAL ANALYSIS AND VALUATION

Stara Planina Hold consolidates the financial results of all its subsidiaries, including the affiliated company M+S Hydraulic. The Holding decided to include it in consolidation as it is the biggest shareholder in M+S Hydraulic since 2011.

The machinery sector is the primary source of revenues and profit for the Holding. The net consolidated profit grew steadily since the crisis in 2009 and supported the increase of the stock price. Moreover, the positive trend resulted to the expansion of the price-to-earnings multiple. Our forecasts point to double-digit P/E ratio as it correctly represents the Holding's share of net profit when subtracting the large stake of minority interest in the Holding's profit. EV/EBITDA, on the other hand, is low single digits as the consolidated cash is significant and the companies' debt is very low.

The multiples are not suitable to value the Holding according to the industry averages as they compare the financial performance of subsidiaries to the substantially lower market capitalization of the Holding. We prefer to value the stock according to its assets. The sum-of-the-parts method for valuation is more appropriate due to the large minority stakes in the subsidiaries.

*Stocks of Stara Planina are exposure on the machinery sector*

### STARA PLANINA HOLD

	2012	2013	2014	TTM	2015E	2016E
<b>Last Price</b>	<b>2.52</b>	<b>2.99</b>	<b>4.30</b>	<b>4.25</b>	<b>4.25</b>	<b>4.25</b>
<b>Number of Shares</b>	21,000,000	21,000,000	21,000,000	21,000,000	21,000,000	21,000,000
<b>Market Capitalization</b>	52,815,000	62,790,000	90,300,000	89,250,000	89,250,000	89,250,000
<b>Net Profit</b>	5,239,000	6,237,000	6,859,000	6,978,000	5,111,127	6,120,205
<b>P/E</b>	<b>10.08</b>	<b>10.07</b>	<b>13.17</b>	<b>12.79</b>	<b>17.46</b>	<b>14.58</b>
<b>Equity</b>	69,186,000	74,360,000	78,816,000	80,603,000	81,882,676	86,778,840
<b>P/B</b>	<b>0.76</b>	<b>0.84</b>	<b>1.15</b>	<b>1.11</b>	<b>1.09</b>	<b>1.03</b>
<b>Sales</b>	164,459,000	179,518,000	182,391,000	182,792,000	176,919,270	183,996,041
<b>P/S</b>	<b>0.32</b>	<b>0.35</b>	<b>0.50</b>	<b>0.49</b>	<b>0.50</b>	<b>0.49</b>
<b>EV</b>	32,954,000	41,494,000	56,665,000	49,512,000	57,700,856	57,927,566
<b>EBITDA</b>	27,635,000	28,488,000	30,462,000	29,996,000	26,042,517	30,373,146
<b>EV/EBITDA</b>	<b>1.19</b>	<b>1.46</b>	<b>1.86</b>	<b>1.65</b>	<b>2.22</b>	<b>1.91</b>
<b>ROE</b>	7.80%	8.69%	8.96%	8.90%	6.36%	7.26%
<b>ROA</b>	3.17%	3.62%	3.85%	3.70%	2.87%	3.38%

**FINANCIAL ANALYSIS OF STARA PLANINA HOLD**

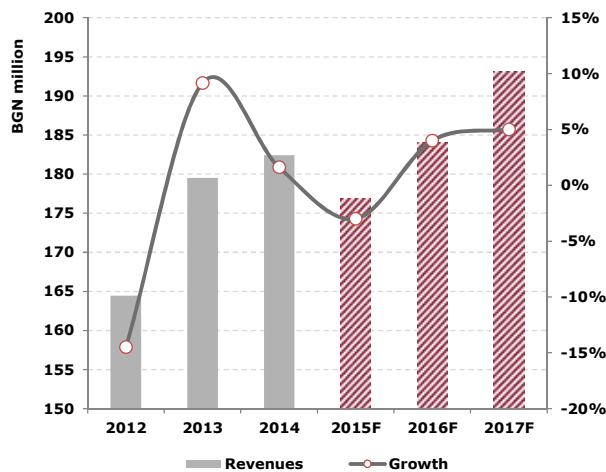
Stara Planina Hold forecasted a decrease of revenues in 2015, following the weakness of the global industrial production last year and the price pressure on the domestic market from Asia-based import. The main subsidiaries, however, performed better than expected. Hydraulic Elements and Systems exceeded expectations since the beginning of the year, whereas the M+S Hydraulic reported lower than forecasted contraction of the profit. Based on the disclosed data for the sales during the five months of 2015, we expect a modest decline of revenues this year. The 3% decline of consolidated revenues is conservative view but we prefer to have a margin of safety.

*We expect a return to growth after the soft patch in 2015*

We expect sales in 2016 and afterwards to grow faster, albeit in single digit rates. The main reasons for the positive forecasts include the future economic recovery in EU and the already solid fundamentals behind the two biggest companies. The battery sector should remain on firm ground, although the low lead price will limit the increase of revenues, while maintaining the current profit margins. Elhim-Iskra doesn't have recycling facility like Monbat, its main competitor on the local market. The low lead price is supporting the expansion of the profit margin.

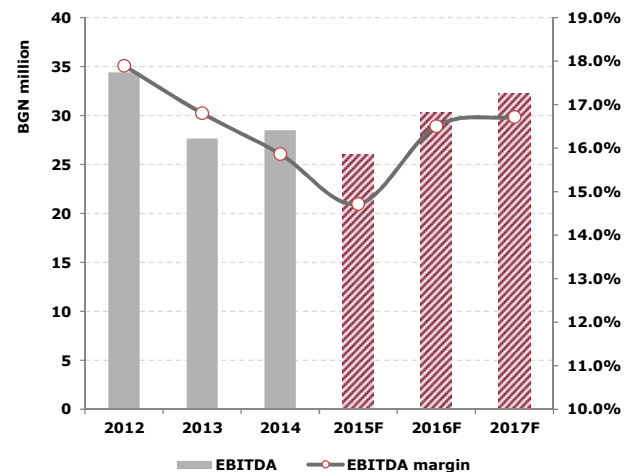
Regarding the investment policy of the Holding, we expect a slight decline this year to reflect the lower sales. Stara Planina will continue to develop its subsidiaries according to the long-term goals of modernization of machines and equipment that contributes to cost- and energy-efficiency. Moderate growth of sales, i.e. 5-6% annually, is our base scenario. At the same time, we expect the operating margin to improve from 9% to 10%.

Exhibit 9: Revenues to decline in 2015 due to the weakness in global demand



Source: Company data, ELANA Trading estimates

Exhibit 10: We expect margins to remain near the average for the past three years



Source: Company data, ELANA Trading estimates

**FINANCIAL ANALYSIS OF THE MAIN SUBSIDIARIES**

M+S Hydraulic has very stable performance during the previous two years in terms of both revenue growth (single-digit percentage) and 12.5% net profit margin. The operating income margin fell as low as 13.4% in 2013 due to the pressure from material costs. The decline of base metal prices since then already had positive impact on the margins. We expect another short-term improvement, although we prefer more neutral stance in our forecasts as global growth acceleration should support the prices of base metals.

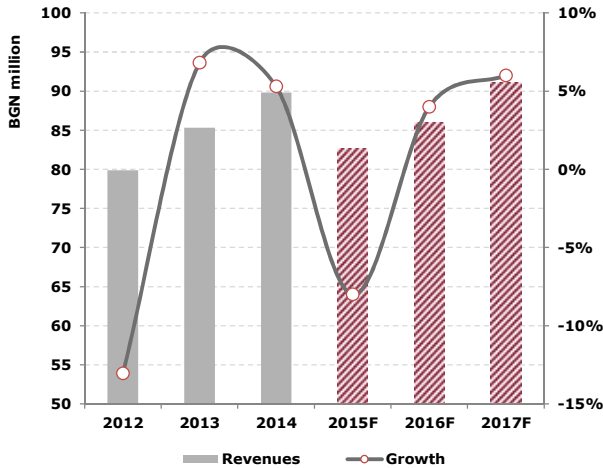
*Expected weakness in sales and profit but subdued as compared to 2012*

The other subsidiaries of the Holding have similar dependencies to metal prices and the demand of the machinery sector. 2012 also was a weak year for Hydraulic Elements and Systems that we assign to the EU economic difficulties during this period. 2015 is much better for both companies and especially for HES as it grew 4% during the first quarter of the year. It managed to improve its operating margin in the past two years from 6.8% to 9.2%.

Bottom line is that we see much better performance of the machine building segment of Stara Planina Hold in 2014 and 2015 as compared to the previous period of weakness in Europe. We give credit to the investments and the efforts to maintain quality products at competitive prices despite the weakness of sales to Russia.

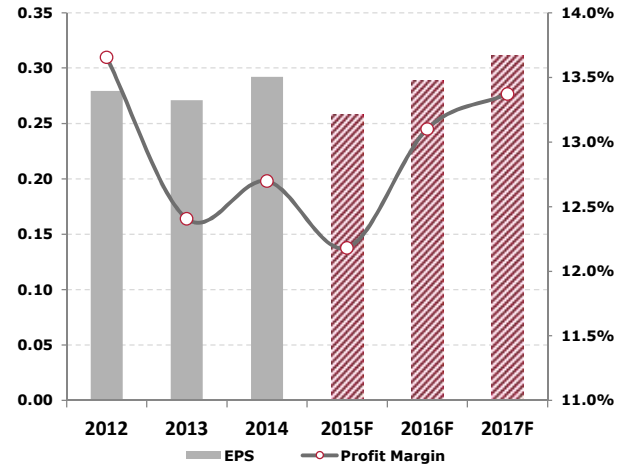


Exhibit 11: Sales of M+S Hydraulic are weak in 2015 but we consider it a temporarily event



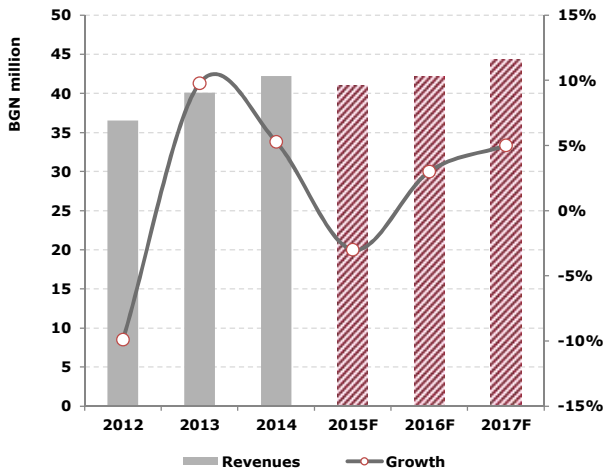
Source: Company data, ELANA Trading estimates

Exhibit 12: The profit of M+S Hydraulic declines due to the weaker sales of value-added products



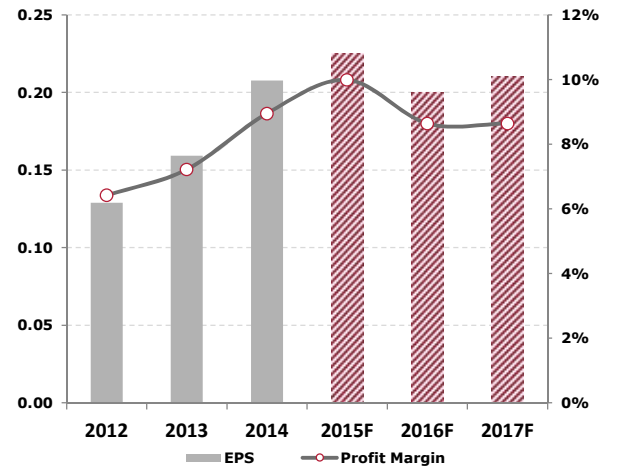
Source: Company data, ELANA Trading estimates

Exhibit 12: Revenues of Hydraulic Elements and Systems mirror the performance of M+S Hydraulic



Source: Company data, ELANA Trading estimates

Exhibit 13: We expect stable net profit margin but HES might surprise on the upside in 2015



Source: Company data, ELANA Trading estimates

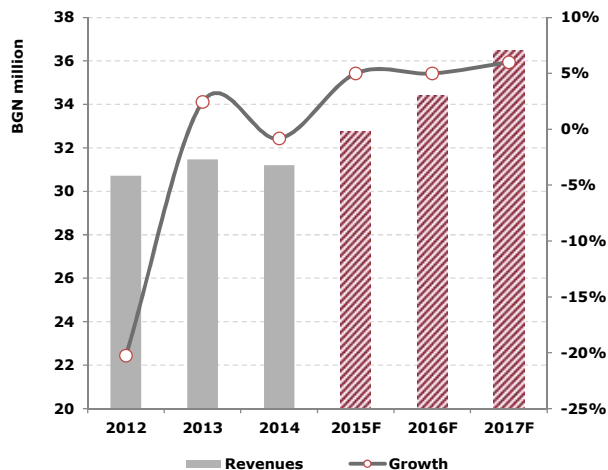
The lead-acid battery market benefited from the decline of the lead price, although it is subdued by the rising US dollar. It also had influenced the revenues on the downside as battery producers tend to determinate the end-prices according to their material costs. Elhim-Iskra was not an exception to the general trend and reported 1% lower revenues in 2014.

*Larger stake of battery elements in revenues of Elhim-Iskra*

The company reported 12% growth during Q1'15 due to the better demand and the positive effects on battery prices from the recovery of the lead price in March. It coincided with 0.5 percentage point lower profit margin on yearly basis. The lead price volatility, including the effect from exchange rates, might continue but there are no fundamental reasons for large appreciation of the metal.

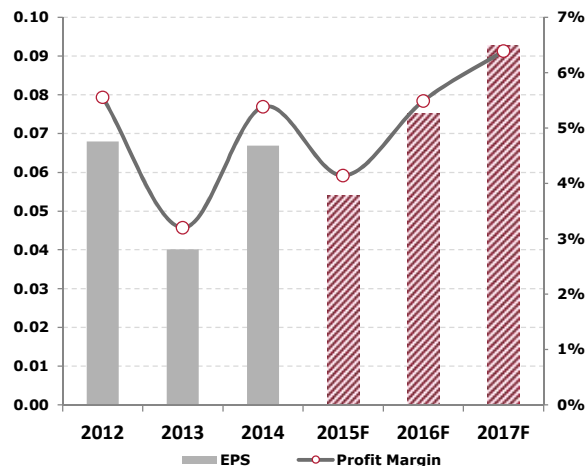
Lead price, however, is only part of the story. Elhim-Iskra s increased its sells abroad of battery elements, which have lower profit margin. It offset the negative trend in deliveries to Russia and Ukraine. Our long-term growth expectations are based on the appreciation of lead.

Exhibit 15: Elhim-Iskra reported flat sales despite the sizable decline of lead, which is a pricing factor for batteries



Source: Company data, ELANA Trading estimates

Exhibit 16: Volatile profit margins are following the dynamics of the lead price in battery production



Source: Company data, ELANA Trading estimates

## VALUATION OF STARA PLANINA HOLD

The large minority stakes in the main subsidiaries make the sum-of-the-parts method as the only suitable for valuation. The synergies amid the subsidiaries are negligible. Our calculations of the Holding's value include both the current market capitalization of subsidiaries and the results from our DCF models for the three biggest companies. Fair prices are very similar. The value of Stara Planina Hold varies from BGN 119.9 m that corresponds to BGN 5.71 per share to BGN 124.3 m, or BGN 5.92 per share. As comparison, the current market price of the Holding is BGN 4.25.

### SOTP METHOD

	BSE Ticker	Stake	Market Cap	Value	Elana Valuation	Value
M+S HYDRAULIC	5MH	31%	192,307,805	59,442,343	181,338,000	56,051,576
HYDRAULIC ELEMENTS & SYSTEMS	4HE	65%	57,255,738	36,947,128	62,973,000	40,636,477
ELHIM-ISKRA	52E	51%	30,130,092	15,486,867	20,983,000	10,785,262
BULGARIAN ROSE	4BN	50%	11,180,605	5,589,184		5,589,184
FAZAN	4F5	88%	520,521	458,423		458,423
NOT LISTED COMPANIES				6,374,000		6,374,000
<b>TOTAL</b>				<b>124,297,945</b>		<b>119,984,922</b>

## VALUATION OF SUBSIDIARIES

The two biggest subsidiaries are among the favorite stocks of local and foreign investors. M+S Hydraulic is larger than Stara Planina Hold by market capitalization, although the trading volumes of both stocks are similar. Our calculations result to lower intrinsic value of M+S Hydraulic and Elhim-Iskra than their market capitalizations. The difference is much bigger for the latter. HES looks slightly undervalued.

Our expectations for the performance are based on the already reported weakness in sales of M+S Hydraulic and the solid growth of Elhim-Iskra. Afterwards, our models include a steady single-digit growth of revenues and improvement of profit margins to the long-term averages. We also use steady increase of fixed assets in the calculations, while maintaining the current low-debt policy of the companies.

The DCF models give lower values of M+S Hydraulic and Elhim-Iskra due to the lack of debt, which increased the weighted average cost of capital. The discount rates exceed 10% and 12%, respectively for both companies. The lower beta of HES resulted to WACC of 8%, which supported the value of the company to a level that correspond to the current market cap. Higher debt levels in the current low interest rates environment should have a positive effect on the stock prices but we don't expect to see a change in the Holding's policy toward distribution of larger dividends or an increase of leverage.

*Prices of the two biggest subsidiaries are close to fair value*

## ESTIMATIONS – M+S HYDRAULIC

	2015	2016	2017	2018	2019	2021	2021	2022	2023	2024	TERMINAL YEAR
REVENUE	82,637	85,943	91,099	97,476	103,325	108,491	113,373	118,475	123,214	128,142	132,627
GROWTH	-8.00%	4.00%	6.00%	7.00%	6.00%	5.00%	4.50%	4.50%	4.00%	4.00%	3.50%
EBITDA	18,064	19,268	20,197	22,078	23,579	24,758	25,872	27,036	28,117	29,242	30,266
<b>EBITDA MARGIN</b>	<b>21.86%</b>	<b>22.42%</b>	<b>22.17%</b>	<b>22.65%</b>	<b>22.82%</b>	<b>22.82%</b>	<b>22.82%</b>	<b>22.82%</b>	<b>22.82%</b>	<b>22.82%</b>	<b>22.82%</b>
DEPRECIATION	6,908	6,807	6,714	6,970	7,047	7,399	7,732	8,080	8,403	8,739	9,045
INVESTMENTS	6,863	6,344	6,293	8,131	7,398	7,850	8,157	8,524	8,813	9,166	9,431
EBIT	11,156	12,462	13,483	15,109	16,532	17,359	18,140	18,956	19,714	20,503	20,557
<b>EBIT MARGIN</b>	<b>13.50%</b>	<b>14.50%</b>	<b>14.80%</b>	<b>15.50%</b>	<b>16.00%</b>	<b>16.00%</b>	<b>16.00%</b>	<b>16.00%</b>	<b>16.00%</b>	<b>16.00%</b>	<b>15.50%</b>

## DISCOUNTED CASH FLOWS - M+S HYDRAULIC

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	TERMINAL YEAR
BGN'000											
EBIT	11,156	12,462	13,483	15,109	16,532	17,359	18,140	18,956	19,714	20,503	20,557
EBIT(1-T)	10,040	11,216	12,134	13,598	14,879	15,623	16,326	17,060	17,743	18,453	18,502
ADD: D&A	6,908	6,807	6,714	6,970	7,047	7,399	7,732	8,080	8,403	8,739	9,045
LESS: INVESTMENTS	6,863	6,344	6,293	8,131	7,398	7,850	8,157	8,524	8,813	9,166	9,431
LESS: CHANGE NWC	(4,768)	813	1,903	506	832	1,146	907	948	881	916	862
FCF	14,854	10,865	10,653	11,930	13,695	14,025	14,994	15,669	16,452	17,110	17,253
WACC	8.96%	9.76%	10.00%	10.25%	10.25%	10.25%	10.75%	10.75%	10.75%	10.75%	10.75%
PV FCF	13,632	9,019	8,003	8,075	8,408	7,810	7,340	6,926	6,567	6,167	
SUM OF PV FCF	81,947										
PV OF CONTINUING VALUE	85,840										
TOTAL PV FREE CASH FLOWS	167,787										
LESS: OUTSTANDING DEBT	487										
PLUS: FINANCIAL ASSETS	14,038										
PV OF EQUITY	181,338										
NUMBER OF SHARES ('000)	39,055										
PRICE PER SHARE	4.64										

## ESTIMATIONS – HYDRAULIC ELEMENTS AND SYSTEMS

	2015	2016	2017	2018	2019	2021	2021	2022	2023	2024	TERMINAL YEAR
REVENUE	40,963	42,192	44,302	46,960	49,308	51,773	54,103	56,537	58,799	61,151	63,291
GROWTH	-3.00%	3.00%	5.00%	6.00%	5.00%	5.00%	4.50%	4.50%	4.00%	4.00%	3.50%
EBITDA	7,087	6,533	6,674	7,112	7,416	7,787	8,137	8,503	8,843	9,197	9,519
<b>EBITDA MARGIN</b>	<b>17.30%</b>	<b>15.49%</b>	<b>15.07%</b>	<b>15.15%</b>	<b>15.04%</b>	<b>15.04%</b>	<b>15.04%</b>	<b>15.04%</b>	<b>15.04%</b>	<b>15.04%</b>	<b>15.04%</b>
DEPRECIATION	2,581	2,525	2,465	2,416	2,485	2,609	2,727	2,849	2,963	3,082	3,190
INVESTMENTS	1,212	2,261	2,181	2,181	2,814	2,767	2,875	3,005	3,107	3,231	3,325
EBIT	4,506	4,008	4,209	4,696	4,931	5,177	5,410	5,654	5,880	6,115	6,013
<b>EBIT MARGIN</b>	<b>11.00%</b>	<b>9.50%</b>	<b>9.50%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>9.50%</b>

## DISCOUNTED CASH FLOWS - HYDRAULIC ELEMENTS AND SYSTEMS

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	TERMINAL YEAR
BGN'000											
EBIT	4,506	4,008	4,209	4,696	4,931	5,177	5,410	5,654	5,880	6,115	6,013
EBIT(1-T)	4,055	3,607	3,788	4,226	4,438	4,660	4,869	5,088	5,292	5,504	5,411
ADD: D&A	2,581	2,525	2,465	2,416	2,485	2,609	2,727	2,849	2,963	3,082	3,190
LESS: INVESTMENTS	1,212	2,261	2,181	2,181	2,814	2,767	2,875	3,005	3,107	3,231	3,325
LESS: CHANGE NWC	(27)	(212)	118	532	126	715	373	390	362	376	354
FCF	5,452	4,083	3,954	3,929	3,983	3,787	4,348	4,544	4,787	4,978	4,922
WACC	8.20%	9.00%	9.25%	9.50%	9.50%	9.50%	10.00%	10.00%	10.00%	10.00%	10.00%
PV FCF	5,039	3,437	3,033	2,733	2,530	2,197	2,231	2,120	2,030	1,919	
SUM OF PV FCF	27,268										
PV OF CONTINUING VALUE	29,194										
TOTAL PV FREE CASH FLOWS	56,462										
LESS: OUTSTANDING DEBT	0										

<b>PLUS: FINANCIAL ASSETS</b>	6,511
<b>PV OF EQUITY</b>	62,973
<b>NUMBER OF SHARES ('000)</b>	18,194
<b>PRICE PER SHARE</b>	<b>3.46</b>

## ESTIMATIONS - ELHIM-ISKRA

	2015	2016	2017	2018	2019	2021	2021	2022	2023	2024	TERMINAL YEAR
REVENUE	32,763	34,401	36,465	39,018	41,164	43,222	45,167	47,200	49,088	51,051	52,838
GROWTH	5.00%	5.00%	6.00%	7.00%	5.50%	5.00%	4.50%	4.50%	4.00%	4.00%	3.50%
EBITDA	3,093	3,764	4,330	4,998	5,273	5,537	5,786	6,046	6,288	6,540	6,769
<b>EBITDA MARGIN</b>	<b>9.44%</b>	<b>10.94%</b>	<b>11.88%</b>	<b>12.81%</b>	<b>12.81%</b>	<b>12.81%</b>	<b>12.81%</b>	<b>12.81%</b>	<b>12.81%</b>	<b>12.81%</b>	<b>12.81%</b>
DEPRECIATION	1,618	1,699	1,778	1,877	1,980	2,079	2,173	2,270	2,361	2,456	2,542
INVESTMENTS	1,405	2,322	2,380	2,639	2,774	2,196	2,283	2,386	2,468	2,567	2,642
EBIT	1,474	2,064	2,553	3,121	3,293	3,458	3,613	3,776	3,927	4,084	4,227
<b>EBIT MARGIN</b>	<b>4.50%</b>	<b>6.00%</b>	<b>7.00%</b>	<b>8.00%</b>	<b>8.00%</b>	<b>8.00%</b>	<b>8.00%</b>	<b>8.00%</b>	<b>8.00%</b>	<b>8.00%</b>	<b>8.00%</b>

## DISCOUNTED CASH FLOWS - ELHIM-ISKRA

BGN'000	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	TERMINAL YEAR
<b>EBIT</b>	1,474	2,064	2,553	3,121	3,293	3,458	3,613	3,776	3,927	4,084	4,227
<b>EBIT(1-T)</b>	1,327	1,858	2,297	2,809	2,964	3,112	3,252	3,398	3,534	3,676	3,804
<b>ADD: D&amp;A</b>	1,618	1,699	1,778	1,877	1,980	2,079	2,173	2,270	2,361	2,456	2,542
<b>LESS: INVESTMENTS</b>	1,405	2,322	2,380	2,639	2,774	2,196	2,283	2,386	2,468	2,567	2,642
<b>LESS: CHANGE NWC</b>	594	879	320	883	911	1,263	843	881	818	851	802
<b>FCF</b>	946	356	1,375	1,164	1,259	1,732	2,298	2,402	2,609	2,714	2,902
<b>WACC</b>	11.00%	11.80%	12.05%	12.30%	12.30%	12.30%	12.80%	12.80%	12.80%	12.80%	12.80%
<b>PV FCF</b>	852	285	978	732	705	863	989	916	883	814	
<b>SUM OF PV FCF</b>	8,016										
<b>PV OF CONTINUING VALUE</b>	9,357										
<b>TOTAL PV FREE CASH FLOWS</b>	17,374										
<b>LESS: OUTSTANDING DEBT</b>	0										
<b>PLUS: FINANCIAL ASSETS</b>	3,609										
<b>PV OF EQUITY</b>	20,983										
<b>NUMBER OF SHARES ('000)</b>	25,108										
<b>PRICE PER SHARE</b>	<b>0.84</b>										

## RECOMMENDATION AND PRICE TARGET

The calculations show that Stara Planina Hold is undervalued when considering its main assets. The subsidiaries, on the other hand, are not among the cheapest stocks on the market. This divergence can be exploited by investors who look for exposure of Bulgarian industrial companies but find the multiples of M+S Hydraulic and Hydraulic Elements and Systems too high. The P/E ratios of the both companies are 17 and 16, respectively.

We initiate coverage of Stara Planina Hold with a HOLD recommendation. Our price target is BGN 5.71 or 34% higher than the latest quotes. Although the 34% premium over the latest price provides very good upside potential, the stock tends to trade at lower multiples than the market and we don't expect it to close the gap over the market cap of its subsidiaries.

Our forecasts for the performance of the largest subsidiaries are based on the assumption of recovery of sales after 2015 and economic growth in Europe. The low single-digit growth extrapolates the positive expectations for the EU economies, supported by the weak euro and the monetary easing. Any acceleration of the global economy should have very stimulating effect on the companies' revenues and profit margins. Thus, we see positive surprises on the long-term.

In terms of significant investors involved in our stock market, we share the following observations:

- Foreign investors might be driven back by the low market capitalization of Stara Planina Hold and its subsidiaries Hydraulic Elements and Systems and Elhim-Iskra. Stara Planina Hold is undervalued when considering its assets and that makes the stock interesting for buyers.
- Bulgarian institutional investors are not very active at the moment. Neverthe-

*Recommendation: HOLD*

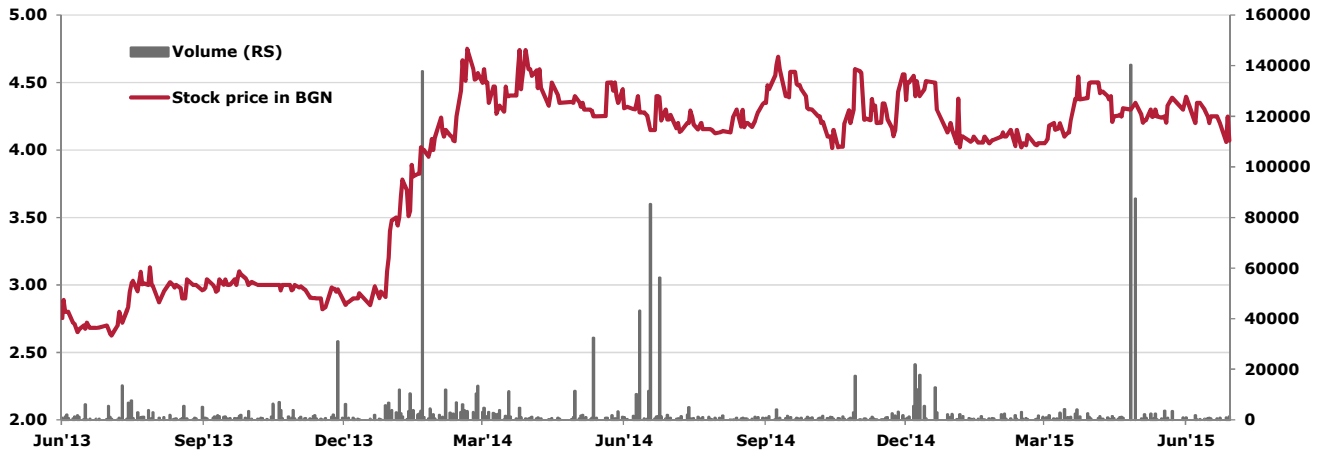
*Target Price: BGN 5.71*

*Upside: 34%*

less, they have exposures in the group's shares and the stocks are considered interesting investments.

- Domestic private investors are influenced by latest economic and political news and remain cautious. They have very positive bias toward Stara Planina Hold and its subsidiaries, based on the good financial performance of the companies. This will limit the decline of their stocks during period of overall weakness on the market.

## STOCK PRICE DYNAMICS



**ANNUAL FINANCIAL DATA (AUDITED) – STARA PLANINA HOLD**

<b>INCOME STATEMENT ('000 BGN)</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015F</b>	<b>2016F</b>	<b>2017F</b>
<b>REVENUE</b>	164,459	179,518	182,391	176,919	183,996	193,196
OPERATING EXPENSES	148,789	163,435	164,474	163,650	167,436	174,842
CHANGE IN INVENTORIES	(1,381)	2,254	(1,739)	(885)	(1,380)	(1,642)
COST OF MATERIAL	86,489	93,079	94,744	91,113	95,678	100,462
COST OF LABOR	33,073	34,482	36,549	35,384	36,799	37,673
COST OF EXTERNAL SERVICES	14,320	15,985	16,675	15,923	16,560	17,388
DEPRECIATION AND AMORTIZATION	11,965	12,405	12,545	12,774	13,814	13,949
NET BOOK VALUE OF ASSETS SOLD	3,451	3,927	4,474	4,423	4,600	4,830
OTHER COSTS	872	1,303	1,226	4,918	1,366	2,183
<b>OPERATING INCOME</b>	<b>15,670</b>	<b>16,083</b>	<b>17,917</b>	<b>13,269</b>	<b>16,560</b>	<b>18,354</b>
INTEREST EXPENSE	273	261	186	133	154	178
FOREIGN EXCHANGE LOSSES (GAINS)	130	206	(380)	(177)	(110)	(193)
NET NON-OPERATING LOSSES (GAINS)	(1,069)	(996)	(845)	(885)	(920)	(1,159)
<b>PRETAX INCOME</b>	<b>16,336</b>	<b>16,612</b>	<b>18,956</b>	<b>14,198</b>	<b>17,436</b>	<b>19,528</b>
INCOME TAX EXPENSE	1,905	1,749	1,980	1,420	1,744	1,953
<b>INCOME BEFORE XO ITEMS</b>	<b>14,431</b>	<b>14,863</b>	<b>16,976</b>	<b>12,778</b>	<b>15,693</b>	<b>17,575</b>
EXTRAORDINARY LOSS NET OF TAX	0	0	0	0	0	0
MINORITY INTEREST	9,192	8,626	10,117	7,667	9,573	10,545
<b>NET INCOME</b>	<b>5,239</b>	<b>6,237</b>	<b>6,859</b>	<b>5,111</b>	<b>6,120</b>	<b>7,030</b>
<b>EARNINGS PER SHARE IN BGN</b>	<b>0.25</b>	<b>0.30</b>	<b>0.33</b>	<b>0.24</b>	<b>0.29</b>	<b>0.33</b>

<b>BALANCE SHEET ('000 BGN)</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015F</b>	<b>2016F</b>	<b>2017F</b>
CASH AND NEAR CASH ITEMS	23,052	24,200	35,081	33,230	33,254	37,960
SHORT-TERM INVESTMENTS	2,192	2,553	2,244	2,123	2,484	2,415
ACCOUNTS AND NOTES RECEIVABLE	33,435	40,489	36,713	36,268	36,799	38,639
INVENTORIES	32,321	29,260	27,473	27,422	29,439	29,945
OTHER CURRENT ASSETS	333	296	340	442	368	386
<b>TOTAL CURRENT ASSETS</b>	<b>91,333</b>	<b>96,798</b>	<b>101,851</b>	<b>99,486</b>	<b>102,345</b>	<b>109,346</b>
LT INVESTMENTS AND LT RECEIVABLES	7,153	10,919	10,234	9,731	10,488	10,819
NET FIXED ASSETS	67,451	68,665	65,667	67,229	70,838	73,414
OTHER LONG-TERM ASSETS	1,166	1,294	641	885	810	734
<b>TOTAL LONG-TERM ASSETS</b>	<b>75,770</b>	<b>80,878</b>	<b>76,542</b>	<b>77,844</b>	<b>82,136</b>	<b>84,968</b>
<b>TOTAL ASSETS</b>	<b>167,103</b>	<b>177,676</b>	<b>178,393</b>	<b>177,331</b>	<b>184,481</b>	<b>194,314</b>
ACCOUNTS PAYABLE	19,743	21,971	16,774	17,692	16,560	16,422
SHORT-TERM BORROWINGS	1,743	1,557	416	442	460	580
OTHER SHORT-TERM LIABILITIES	3,354	4,272	3,727	3,538	4,048	4,444
<b>TOTAL CURRENT LIABILITIES</b>	<b>24,840</b>	<b>27,800</b>	<b>20,917</b>	<b>21,673</b>	<b>21,068</b>	<b>21,445</b>
LONG-TERM BORROWINGS	1,448	1,347	1,030	1,238	1,472	1,449
OTHER LONG-TERM LIABILITIES	1,222	1,665	2,160	1,769	1,564	1,739
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>2,670</b>	<b>3,012</b>	<b>3,190</b>	<b>3,008</b>	<b>3,036</b>	<b>3,188</b>
<b>TOTAL LIABILITIES</b>	<b>27,510</b>	<b>30,812</b>	<b>24,107</b>	<b>24,680</b>	<b>24,103</b>	<b>24,632</b>
TOTAL PREFERRED EQUITY	0	0	0	0	0	0
MINORITY INTEREST	70,407	72,504	75,470	70,768	73,598	77,278
SHARE CAPITAL & APIC	20,729	20,729	20,729	20,729	20,729	20,729
RETAINED EARNINGS & OTHER EQUITY	48,457	53,631	58,087	61,154	66,050	71,674
<b>TOTAL EQUITY</b>	<b>69,186</b>	<b>74,360</b>	<b>78,816</b>	<b>81,883</b>	<b>86,779</b>	<b>92,403</b>
<b>WORKING CAPITAL</b>	<b>43,441</b>	<b>44,798</b>	<b>45,853</b>	<b>44,584</b>	<b>48,023</b>	<b>49,941</b>

<b>NUMBER OF SHARES:</b>	21,000,000	21,000,000	21,000,000	21,000,000	21,000,000	21,000,000
<b>PRICE IN BGN - PERIOD END:</b>	2.52	2.99	4.30	4.25	4.25	4.25
<b>MARKET CAP IN BGN - PERIOD END:</b>	52,815,000	62,790,000	90,300,000	89,250	89,250	89,250



<b>CASH FLOW STATEMENT ('000 BGN)</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015F</b>	<b>2016F</b>	<b>2017F</b>
NET INCOME	5,239	6,237	6,859	5,111	6,120	7,030
DEPRECIATION& AMORTIZATION	11,965	12,405	12,545	12,774	13,814	13,949
OTHER NON-CASH ADJUSTMENTS	10,624	4,832	9,015	(4,299)	1,825	2,615
CHANGES IN NON-CASH CAPITAL	(7,309)	(1,357)	(1,055)	1,269	(3,439)	(1,918)
<b>CASH FROM OPERATIONS</b>	<b>20,519</b>	<b>22,117</b>	<b>27,364</b>	<b>14,855</b>	<b>18,320</b>	<b>21,675</b>
DISPOSAL OF FIXED ASSETS	53	145	117	0	0	0
CAPITAL EXPENDITURES	(12,761)	(14,890)	(15,707)	(14,336)	(17,423)	(16,525)
INCREASE IN INVESTMENTS	(44)	(4,211)	(631)	503	(757)	(331)
DECREASE IN INVESTMENTS	0	0	1,817	0	0	0
OTHER INVESTING ACTIVITIES	(1,568)	3,582	3,959	(244)	75	75
<b>CASH FROM INVESTING ACTIVITIES</b>	<b>(14,195)</b>	<b>(15,304)</b>	<b>(10,146)</b>	<b>(14,076)</b>	<b>(18,105)</b>	<b>(16,780)</b>
DIVIDENDS PAID	(4,239)	(5,977)	(6,096)	(1,022)	(1,224)	(1,406)
CHANGE IN SHORT-TERM BORROWINGS	(374)	(186)	(1,141)	26	18	120
CHANGE IN LONG-TERM BORROWINGS	(59)	(101)	(317)	208	234	(23)
INCREASE IN CAPITAL STOCKS	2	0	5	0	0	0
DECREASE IN CAPITAL STOCKS	(27)	0	0	0	0	0
OTHER FINANCIAL ACTIVITIES	(1,548)	599	1,308	(1,842)	782	1,121
<b>CASH FROM FINANCING ACTIVITIES</b>	<b>(6,245)</b>	<b>(5,665)</b>	<b>(6,241)</b>	<b>(2,629)</b>	<b>(191)</b>	<b>(188)</b>
<b>NET CHANGES IN CASH</b>	<b>79</b>	<b>1,148</b>	<b>10,977</b>	<b>(1,851)</b>	<b>25</b>	<b>4,706</b>
<b>END-OF-PERIOD CASH</b>	<b>23,052</b>	<b>24,200</b>	<b>35,081</b>	<b>33,230</b>	<b>33,254</b>	<b>37,960</b>
<b>CASH PER SHARE</b>	<b>1.10</b>	<b>1.15</b>	<b>1.67</b>	<b>1.58</b>	<b>1.58</b>	<b>1.81</b>

<b>FINANCIAL AND PERFORMANCE INDICATORS</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015F</b>	<b>2016F</b>	<b>2017F</b>
<b>VALUATION</b>						
PRICE/EARNINGS (P/E)	10.08	10.07	13.17	17.46	14.58	12.70
PRICE/BOOK (P/B)	0.76	0.84	1.15	1.09	1.03	0.97
PRICE/SALES (P/S)	0.32	0.35	0.50	0.50	0.49	0.46
PRICE/CASH FLOW PER SHARE	3.07	3.37	4.65	4.99	4.48	4.25
EV (IN '000 BGN)	32,954	41,494	56,665	57,701	57,928	53,318
EV/EBITDA	1.19	1.46	1.86	26,043	30,373	32,302
<b>PROFITABILITY</b>						
RETURN ON COMMON EQUITY	7.80%	8.69%	8.96%	6.36%	7.26%	7.85%
RETURN ON ASSETS	3.17%	3.62%	3.85%	2.87%	3.38%	3.71%
RETURN ON INVESTED CAPITAL	20.79%	20.18%	21.76%	15.75%	18.38%	19.37%
EBITDA MARGIN	16.80%	15.87%	16.70%	14.72%	16.51%	16.72%
OPERATING MARGIN	9.53%	8.96%	9.82%	7.50%	9.00%	9.50%
NET INCOME MARGIN	3.19%	3.47%	3.76%	2.89%	3.33%	3.64%
<b>LIQUIDITY</b>						
CURRENT RATIO	3.68	3.48	4.87	4.59	4.86	5.10
QUICK RATIO	2.36	2.42	3.54	3.30	3.44	3.68
<b>CREDIT</b>						
LT DEBT/EQUITY	0.02	0.02	0.01	0.02	0.02	0.02
TOTAL DEBT/EQUITY	0.05	0.04	0.02	0.02	0.02	0.02
TOTAL DEBT/TOTAL ASSETS	0.02	0.02	0.01	0.01	0.01	0.01
EBITDA/INTEREST EXPENSE	101.23	109.15	163.77	195.98	197.82	181.25

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## For more information, please contact:

<b>Research analyst</b>	<b>Phone:</b>	<b>E-mail:</b>	<b>Internet:</b>
<b>Tatyana Vasileva</b>	<b>+ 359 2 810 00 24</b>	<a href="mailto:vasileva@elana.net">vasileva@elana.net</a>	<a href="http://www.elana.net">www.elana.net</a>
<b>Tsvetoslav Tsachev</b>	<b>+359 2 810 00 23</b>	<a href="mailto:tsachev@elana.net">tsachev@elana.net</a>	<a href="http://www.elana.net">www.elana.net</a>