

**Monbat (5MB BU)**
**Share Data**

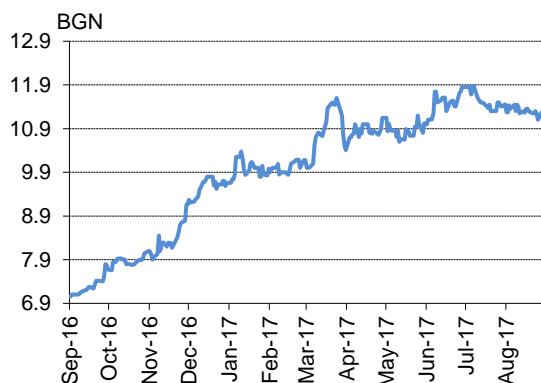
Price	11.17
52 weeks Price Change	58.08%
52 weeks Price Range	7.05 - 11.87
Market Cap (BGN)	435 507 733
Market Cap (EUR)	222 671 568
Shares outstanding	38 989 054
DPS	0.282
Dividend yield	2.52%
EPS	0.75
Sales per share	7.72
Book value per share	5.20
FCF per share	0.63
P/E	14.95
P/S	1.45
P/B	2.15
EV/Sales	1.74
EV/EBITDA	10.69
ROA	8.68%
ROE	15.02%
Current Ratio	2.25
Total Debt Ratio	0.31
Interest Coverage	11.35
Assets Turnover	0.93

Source: Company data, Sofia International Securities Equity Research

**Shareholder Structure**

Prista Oil Holding EAD	42.73%
Prista Holdco Cooperative	20.78%
Monbat Trading	7.06%
UPF Doverie	6.54%
UPF Allianz Bulgaria	5.20%
Free Float	17.69%

Source: Company data, Sofia International Securities Equity Research

**Share Price of Monbat (5MB BU)**


Source: Bloomberg, Sofia International Securities Equity Research

**Revenue growth accelerates in Q2 underpinning further bottom line expansion**

Monbat's strong top-line growth continues further into 2017 as consolidated revenues for the first half of the year reached BGN 150.7m, posting 34% growth on annual basis. During the period between April and June alone, sales rose by 49.6% YoY to BGN 72.65m, accelerating the growth from previous quarters. Export picked further up and sales on foreign markets reached BGN 128.4m, growing by ca. 25% year-on year. Domestic sales also accelerated visibly, doubling over last year's results to BGN 22.59m.

France remains the major single export market of the Group, accounting for 13.8 % of total export sales (down from 15.15% in H1 2016), while sales in this country rose by 11% YoY. Among the other top performing markets were Germany (+9.77% YoY), UK (+28.98% YoY), and Greece and Serbia, where the Group doubled its sales over the 12 months. On the other side of the spectrum were the Spanish and Italian markets where Monbat's revenues fell by 39.6% and 15% respectively.

After the surge of lead prices (key production material for Monbat) in the first months of the year, the subsequent downward trend for the greater part of Q2 pushed average price down to \$2,221.65 per MT, which is still quite above the average of \$1,870.75 for FY2016.

Total operating expenses (excl. changes in inventories) maintained their growth of 21.3% in the second quarter of the year, reaching BGN 138.6m, with all cost categories growing. Expectedly, expenses for materials slowed down a bit, along with the drop in lead prices, to BGN 98.9m for the first six months of 2017 (+18.2% YoY). Personnel expenses, however, added 19% YoY over the same period and reached to BGN 12.4m.

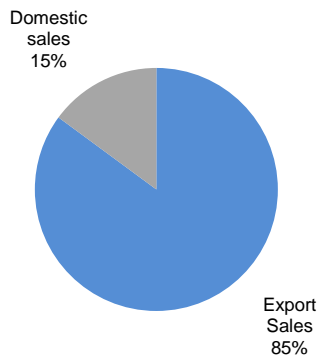
Monbat posted operating profit in the amount of BGN 18.68m for the first half of 2017, up by 26.2% on annual basis. EBIT margin, however, contracted from 13.2% in H1 2016 to 12.4% at the end of the current period. The Group reported net profit in the amount of BGN 15.3m (+27.9% year-on-year), or BGN 0.39 per share.

Total assets were little changed over the quarter, standing at BGN 343.9m as of 30 June. Working capital components – inventories and trade receivables decreased, while receivables from related parties rose notably, adding BGN 12.3m (mostly loans and other credits), over the past 3 months, to BGN 44.8m in total.

<i>Selected Financials</i>	2015	2016	2016	2017
BGN '000	FY	FY	1H	1H
Sales	244 653.0	262 916.0	112 431.0	150 696.0
Sales YoY	7.13%	7.46%	-1.78%	34.03%
EBIT	25 972.0	31 562.0	14 795.0	18 677.0
EBIT Margin	10.62%	12.00%	13.16%	12.39%
Net Income	22 051.0	26 527.0	12 545.0	15 151.0
Net Margin	8.54%	9.43%	10.65%	10.16%
PP&E	126 517.0	145 692.0	135 744.0	142 964.0
Trade Receivables	40 523.0	52 766.0	39 209.0	47 847.0
Inventories	52 547.0	87 970.0	79 939.0	83 436.0
Total assets	275 660.0	336 520.0	304 424.0	343 925.0
Equity	179 479.0	192 604.0	179 914.0	196 668.0
Non-Current Debt	13 876.0	48 574.0	22 794.0	53 611.0
Current Debt	48 873.0	58 688.0	59 063.0	51 531.0
Trade Payables	19 035.0	21 492.0	19 826.0	17 105.0

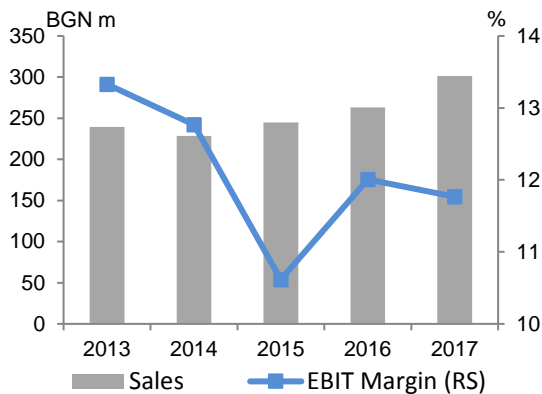
Source: Company data, Sofia International Securities Equity Research

### Sales by segments in H1 2017



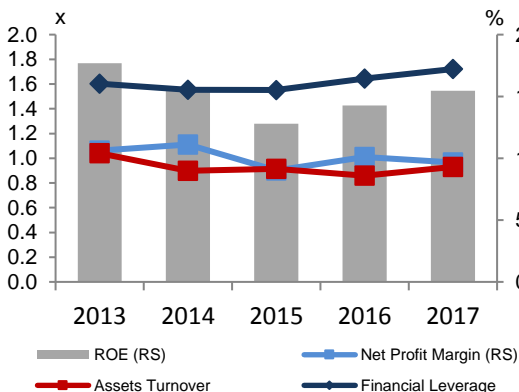
Source: Company data, SIS Equity Research

### Sales vs. EBIT Margin



Source: Company data, Sofia International Securities Equity Research

### ROE (DuPont Decomposition)



Source: Company data, Sofia International Securities Equity Research

Income statement	2015	2016	2016	2017
BGN '000	FY	FY	1H	1H
<b>Sales</b>	<b>244 653.0</b>	<b>262 916.0</b>	<b>112 431.0</b>	<b>150 696.0</b>
Operating costs	-193 940.0	-232 882.0	-106 122.0	-124 509.0
<b>EBITDA</b>	<b>37 504.0</b>	<b>44 384.0</b>	<b>20 965.0</b>	<b>25 682.0</b>
Depreciation	-11 532.0	-12 822.0	-6 170.0	-7 005.0
<b>EBIT</b>	<b>25 972.0</b>	<b>31 562.0</b>	<b>14 795.0</b>	<b>18 677.0</b>
Net financial result	-1 851.0	-3 112.0	-1 227.0	-1 416.0
t/o interest expense	-2 077.0	-2 431.0	-1 369.0	-1 645.0
<b>EBT</b>	<b>24 121.0</b>	<b>28 450.0</b>	<b>13 568.0</b>	<b>17 261.0</b>
Taxes	-3 236.0	-3 664.0	-1 591.0	-1 945.0
<b>Net Income (group)</b>	<b>20 885.0</b>	<b>24 786.0</b>	<b>11 977.0</b>	<b>15 316.0</b>
Minorities	-1 166.0	-1 741.0	-568.0	165.0
<b>Net Income</b>	<b>22 051.0</b>	<b>26 527.0</b>	<b>12 545.0</b>	<b>15 151.0</b>

### Balance sheet

PP&E	126 517.0	145 692.0	135 744.0	142 964.0
Intangibles	905.0	1 465.0	1 050.0	1 351.0
Other Non-Current Assets	463.0	463.0	463.0	463.0
<b>Non-Current Assets</b>	<b>127 885.0</b>	<b>147 620.0</b>	<b>137 257.0</b>	<b>144 778.0</b>
Inventories	52 547.0	87 970.0	79 939.0	83 436.0
Trade Receivables	40 523.0	52 766.0	39 209.0	47 847.0
Cash & Cash Equivalents	15 232.0	5 550.0	4 417.0	9 536.0
Other Current Assets	39 473.0	42 614.0	43 602.0	58 328.0
<b>Current Assets</b>	<b>147 775.0</b>	<b>188 900.0</b>	<b>167 167.0</b>	<b>199 147.0</b>
<b>Total Assets</b>	<b>275 660.0</b>	<b>336 520.0</b>	<b>304 424.0</b>	<b>343 925.0</b>
<b>Equity</b>	<b>179 479.0</b>	<b>192 604.0</b>	<b>179 914.0</b>	<b>196 668.0</b>
Non-Current Debt	13 876.0	48 574.0	22 794.0	53 611.0
Other Non-Current Liabilities	6 244.0	5 498.0	5 858.0	5 167.0
<b>Non-Current Liabilities</b>	<b>20 120.0</b>	<b>54 072.0</b>	<b>28 652.0</b>	<b>58 778.0</b>
Trade Payables	19 035.0	21 492.0	19 826.0	17 105.0
Current Debt	48 873.0	58 688.0	59 063.0	51 531.0
Other Current Liabilities	8 153.0	9 664.0	16 969.0	19 843.0
<b>Current Liabilities</b>	<b>76 061.0</b>	<b>89 844.0</b>	<b>95 858.0</b>	<b>88 479.0</b>
<b>Total Equity and Liabilities</b>	<b>275 660.0</b>	<b>336 520.0</b>	<b>304 424.0</b>	<b>343 925.0</b>

### Cash Flow Statement

Cashflow from Operations	26 040.0	-11 003.0	-14 252.0	22 720.0
Cashflow from Investments	-15 933.0	-28 948.0	-13 932.0	-14 544.0
t/o Capex	-16 588.0	-29 796.0	-14 826.0	-3 557.0
Cashflow from Financing	-14 917.0	30 986.0	17 717.0	-3 993.0
<b>Net Cash</b>	<b>-4 810.0</b>	<b>-8 965.0</b>	<b>-10 467.0</b>	<b>4 183.0</b>

Source: Company data, Sofia International Securities Equity Research

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