

## Company Update Report – Q311 Results Review

### ACCUMULATE

Previous Rating: **HOLD**

<b>TARGET PRICE 12M (RON)</b>	<b>31.41</b>
Previous Target price	35.70
<b>SHARE PRICE (RON)</b>	<b>27.50</b>

Performance	1M	3M	12M	YTD
Absolute (%)	2.0%	-8.3%	-23.8%	-32.5%
Relative to BET (%)	4.4%	-3.8%	-9.3%	-16.1%
RIC				BVBS.BX
Bloomberg				BVB RO
Index listed				BET, BET-C, BET-XT
Market Cap (RON m)				211.04
Market Cap (EUR m)				48.40
Shares Out (m)				7.67
52 Week Range (RON)				25.0 / 45.0
% from 52 Week range				10.0% / -38.9%
Avg daily volume 6M (shares)				12,388

### Shareholders

Free float	(%)	100.0
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(RAS)	09A	10A	11E	12E
P/E(x) adj.	33.2	50.3	13.3	11.7
EPS adj. ch. (%)	-22%	-31%	178%	13%
EV/EBITDA(x)	-2165.4	231.6	19.2	10.3
Net debt/EBITDA	660.9	-65.6	-11.3	-6.5
P/BV(x)	3.1	3.3	2.0	2.0
ROE(%)	9.2%	6.4%	16.5%	17.1%
ROIC(%)	-1.6%	0.3%	5.9%	11.0%
FCF Yield (%)	22.3	22.0	10.6	7.9
Div. Yield (%)	2.8%	1.9%	7.1%	8.0%

### RON m

Revenues	12.4	13.1	19.9	26.8
EBITDA adj.	-0.1	1.0	6.9	12.6
Net income adj.	8.3	5.7	15.9	18.0
EPS	1.09	0.74	2.07	2.34
EPS adj.	1.09	0.74	2.07	2.34
BVPS	11.75	11.47	13.54	13.93
DPS	1.02	0.70	1.95	2.21
FCFPS	0.36	0.19	0.49	1.28

## 6 December 2011

**Analyst:** Roxana Dascalu  
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**Following Q3'11 results we have downward revised our bottom line forecast on lower than assumed revenues following lower daily market volume assumptions and the postponement of SNP, TGN and TEL private placements for H1'12. We now arrive at a 12% lower target price of RON31.41 per share, and due to the recent decline in price the rating is raised to Accumulate.**

- According to the latest data available, YTD average daily market shares volume until end-November stood at RON 39.6m (EUR 9m), while the traded value on the structured products market continued to increase and stood at the end of November 7.6x higher compared to December 2010. However, BSE's total traded value was negatively affected by the bonds market where traded value has collapsed to just RON 325m versus RON 2.3bn in the same period last year.
- BVB reported a 9M'11 bottom line of RON 15.8m, 2.5x higher YOY and 13% above our estimates, supported by slightly higher revenues and stronger margins. Revenues stood at RON 16.9m (6% above our estimates) on increasing trading revenues (+64% YoY) following FP's listing in February and the upward trend recorded by the structured products market every quarter of this year. The EBITDA landed at RON 7.4m, 2.8x higher YOY and above our estimate at RON 5.8m, supported by stronger margins at 44% vs. 24% in 9M'10. Bottom line was also backed by a net financial result double YoY at RON 10.6m, on higher FX gains and dividends cashed from the Central Depository.
- We lowered our assumption on the FY11E average daily market volume from RON 62.5m (EUR 14.3m) to RON 39.4m (cEUR 9m) due to the postponement of SNP, TGN and TEL secondary public offerings until H1'12. For 2012, we now incorporate a daily average market volume assumption of RON 55.2m backed by the announced SPOs, while for 2013 and onwards, we maintain a conservative daily average market volume of RON 47m (EUR 10.7m). We have adjusted accordingly our FY11E top line growth at RON 19.8m (+52% YoY), with the EBITDA 7.2x higher YoY at RON 6.9m, supporting the bottom line 2.8x higher YoY at RON 15.9m.
- Due to its rich cash position, representing c40% of current market cap, we value BVB using a DDM absolute valuation capturing both organic forecasted dividends as well as possible special dividends. We now arrive at a target price of RON 31.41 per share, implying a 14% upside potential to current price levels due to the current decline in price. Rating is therefore raised at Accumulate.
- During the analysts conference call following the Q3'11 results, management warned on the possibility that the SPOs and IPOs announced for the next year may be postponed until 2013, considering 2012 is an election year. Management also announced it changed the cash policy, by increasing its exposure to T-bills and reducing to zero its exposure to Greek banks.
- We reiterate our opinion that the main medium-long term trigger for BVB is the enlargement of the market that could come only from new private IPOs, Secondary Public Offerings, privatizations and increasing attractiveness of the local market by foreigners as the economic recovery will remain on track.
- Assuming a flat dividend payout of c95% from FY11E net profits, implies a dividend yield of 7.1% to current price levels.
- Following also an exercise assuming another failure of the privatizations in 2012 that will further limit the volumes and the liquidity in the market, it implies a target price of RON25.04 per share, 9% below current price levels.

## Financials & Valuation (Summary)

### Financial Statements (RAS Parent)

Profit & Loss (RON 000)	2008A	2009A	2010A	2011E	2012E
Revenues	20,888	12,380	13,056	19,868	26,838
EBITDA	7,211	-98	966	6,903	12,591
EBIT	5,426	-1,484	300	6,141	11,793
Net financials	6,838	11,071	6,188	11,910	8,649
EBT	12,264	9,587	6,488	18,051	20,442
Net income	10,625	8,330	5,708	15,880	17,983
IEBA net income	10,625	8,330	5,708	15,880	17,983
Dividend	10,015	7,851	5,383	14,977	16,961

### Cash flow IEBA TRUST (RON 000)

Net Cash flow from operations	4,365	13	1,057	4,289	10,407
Capex	666	-2,728	-393	500	600
FCFF	3,699	2,741	1,449	3,789	9,807
Other cash flows	-5,740	-14,902	-3,067	10,436	-6,328
Cash flow used in investments	4,619	6,563	326	737	0
Change in debt	0	0	0	0	0
Change in Capital	0	0	0	0	0
FCF	2,578	-5,598	-1,292	14,962	3,479

### Balance Sheet (RON 000)

Net fixed assets	2,549	1,267	962	700	502
Current investments	17,521	24,084	24,410	25,147	25,147
Current assets	3,189	2,550	1,451	2,955	3,452
Cash & others	70,199	64,601	63,309	78,271	81,749
Total Assets	93,458	92,502	90,131	107,073	110,851
Current liabilities	1,595	2,324	2,096	3,159	3,930
Other L/T liabilities & provisions	0	0	0	0	0
Total debt	0	0	0	0	0
Net debt	-70,199	-64,601	-63,309	-78,271	-81,749
Shareholders capital	76,742	76,742	76,742	76,742	76,742
Other reserves	15,121	13,436	11,293	27,173	30,178
Total Equity	91,863	90,178	88,035	103,915	106,920
Minorities	0	0	0	0	0
EV	n/a	n/a	196,333	132,770	129,291
Market Cap	n/a	n/a	259,642	211,040	211,040
No of shares Year End (000)	7,674	7,674	7,674	7,674	7,674
No of shares Diluted (000)	7,674	7,674	7,674	7,674	7,674

Per share	2008A	2009A	2010A	2011E	2012E
EPS	1.38	1.09	0.74	2.07	2.34
IEBA EPS	1.38	1.09	0.74	2.07	2.34
DPS	1.31	1.02	0.70	1.95	2.21
BVPS	11.97	11.75	11.47	13.54	13.93
FCFPS	0.48	0.36	0.19	0.49	1.28

### Growth rates & margins

Revenues	-55.0%	-40.7%	5.5%	52.2%	35.1%
EBITDA	-77.8%	-101.4%	-1088.0%	614.7%	82.4%
EBIT	-82.2%	-127.4%	-120.2%	1944.7%	92.0%
EBT	-64.7%	-21.8%	-32.3%	178.2%	13.2%
Net Income	-63.4%	-21.6%	-31.5%	178.2%	13.2%
IEBA net Income	-63.4%	-21.6%	-31.5%	178.2%	13.2%
Dividend	0.0%	-21.6%	-31.4%	178.2%	13.2%
EPS	-63.4%	-21.6%	-31.5%	178.2%	13.2%
IEBA EPS	-63.4%	-21.6%	-31.5%	178.2%	13.2%
DPS	0.0%	-21.6%	-31.4%	178.2%	13.2%
EBITDA margin	34.5%	-0.8%	7.4%	34.7%	46.9%
EBIT margin	26.0%	-12.0%	2.3%	30.9%	43.9%
Net margin	50.9%	67.3%	43.7%	79.9%	67.0%
IEBA net margin	50.9%	67.3%	43.7%	79.9%	67.0%

### Key items

Ratios and multiples	2008A	2009A	2010A	2011E	2012E
P/E(x)	0.0	0.0	45.5	13.3	11.7
P/E(x) IEBA	0.0	0.0	45.5	13.3	11.7
P/E(x) IEBA at 52wks High	0.0	41.5	60.5	21.7	19.2
P/BV(x)	0.0	0.0	2.9	2.0	2.0
ROE	12.3%	9.2%	6.4%	16.5%	17.1%
IEBA ROE	12.3%	9.2%	6.4%	16.5%	17.1%
ROCE	12.3%	9.2%	6.4%	16.5%	17.1%
IEBA ROCE	12.3%	9.2%	6.4%	16.5%	17.1%

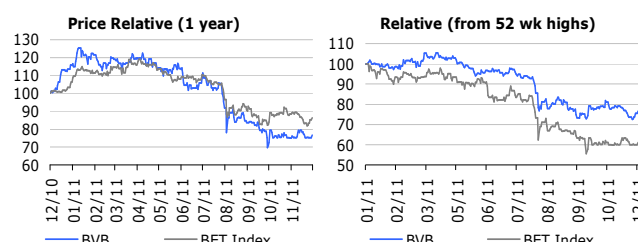
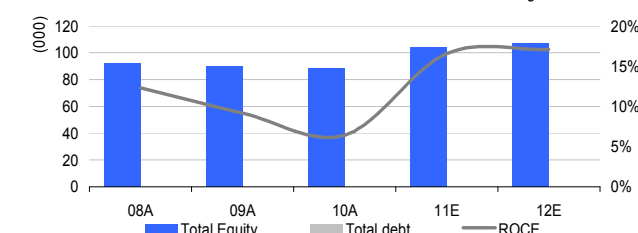
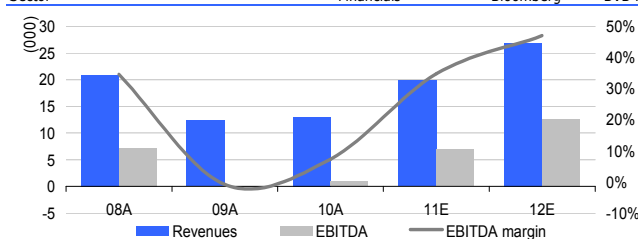
EV/EBITDA (x)	n/a	n/a	203.3	19.2	10.3
EV/EBITDA (x) at 52wks High	n/a	n/a	374.4	38.7	20.9
Net debt/EBITDA (x)	-9.7	660.9	-65.6	-11.3	-6.5
EBITDA/Net inter. Exp. (x)	-1.0	0.0	-0.2	-1.8	-2.7
EV/CE (x)	n/a	n/a	2.2	1.3	1.2

P/S (x)	n/a	n/a	19.9	10.6	7.9
P/FCFPS (x)	0.0	0.0	179.1	55.7	21.5
FCF Yield	n/a	n/a	0.6%	1.8%	4.6%
Dividend Yield	n/a	n/a	2.1%	7.1%	8.0%

Dividend payout	94.3%	94.2%	94.3%	94.3%	94.3%
Net debt/Equity	-76.4%	-71.6%	-71.9%	-75.3%	-76.5%
T.debt/(T.debt + Equity)	0.0%	0.0%	0.0%	0.0%	0.0%

### Stock's information

Share price (RON)	27.50	Target price/share	31.41
52 weeks High price (RON)	45.00	Mkt Cap (RON 000)	211,040
52 weeks Low price (RON)	25.80	EV (RON 000) 11E	132,770
Country	Romania	Reuters	
Sector	Financials	Bloomberg	BVB RO



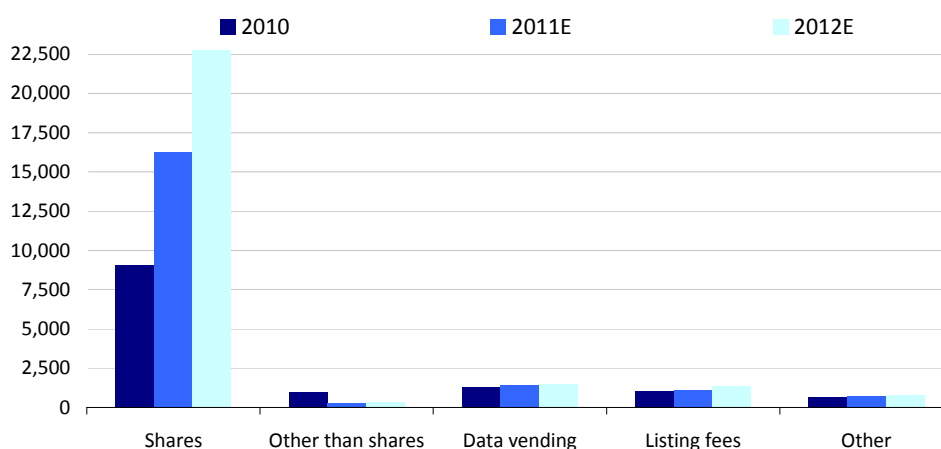
Source: SSIF IEBA Trust SA

## FY11E Revenues breakdown and cost structure

BVB's main profit driver is represented by share trading commission fees, which depend on BVB's pricing policy. Considering the IPOs postponed for the next year, we incorporate in our forecast a 85% weight for share trading revenues in the operating income vs. 82% weight in 2011 and almost 70% weight in 2010, which then moderates to 83% from 2013 onwards.

In our FY11 revenues calculation, we incorporate further reimbursement of Fondul Proprietatea shares while for 2012 we incorporate the 9.48% secondary public offering in OMV Petrom and the further floating of 15% stakes in each of TEL and TGN. For 2012, we do not incorporate any potential IPOs (such as Romgaz, Tarom, Hidroelectrica, Nuclearelectrica, etc).

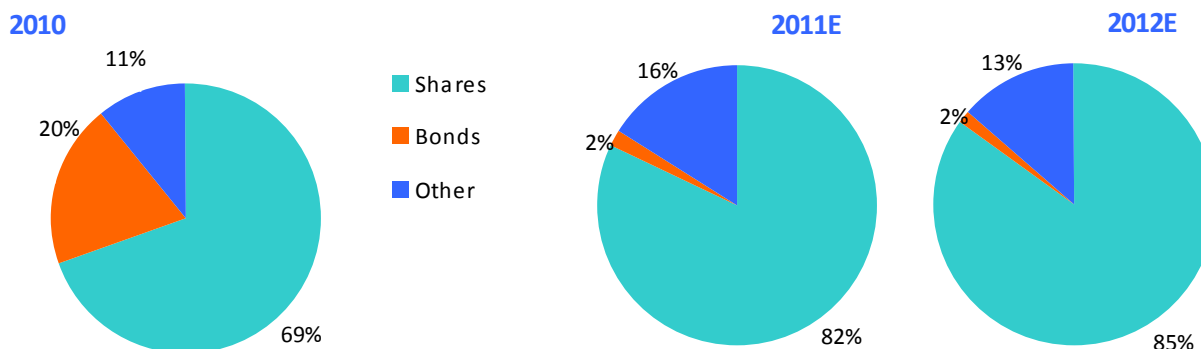
**Table: Revenues breakdown 2010-2012E (RON th)**



Source: The Company, IEBA Trust Estimates.

We arrive at a almost double YOY share trading fee revenues worth RON 16.3m leading to total operating revenues worth RON 19.8m, +52% YOY, assuming no changes in the fees applied this year. Revenues from commission fees applied to financial instruments other than shares are expected to decline by almost 70% following the significant decline recorded by bonds market turnover (RON 325m at the end of November vs. RON 2,315m in the same period last year).

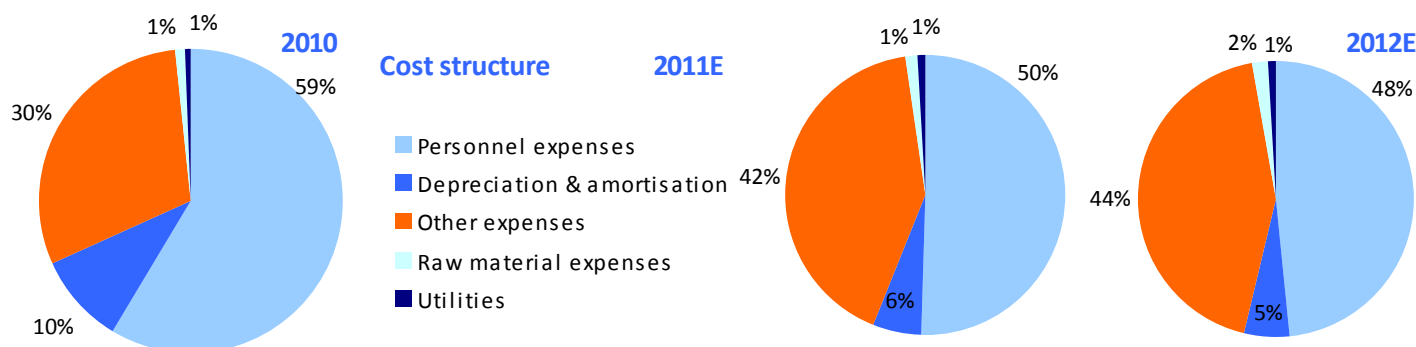
**Table: Breakdown for revenues 2010-2012E**



Source: The Company, IEBA Trust Estimates.

On the cost side, the main expenses are related to personnel and functioning. We see OPEX almost 7% higher at RON 13.5m this year on an assumed 3% hike YOY in personnel costs as other expenses are expected to surge by 12% YOY. We consider a 35% weight for personnel expenses in total operating costs vs. 52% in 2010 and 64% in 2009 as we expect management to continue its tight costs policy.

**Table: Breakdown for cost structure 2010-2011E**



Source: The Company, IEBA Trust Estimates.

All in all, we see volumes improving this year to an average daily trading value of about RON 39.4m and going up to RON 55.2m in 2012 and then down to RON 47m from 2013 onwards. The EBITDA is seen 7.2x higher YoY at RON 6.9m, supporting a 2.8x higher YoY bottom line of RON 15.8m.

**Table: Bursa de Valori FY10-12E Forecasts**

(RON m) - Parent RAS		FY10	FY11E	YOY	FY12E	YOY
<b>Total revenues</b>		<b>13.1</b>	<b>19.9</b>	<b>52%</b>	<b>26.8</b>	<b>35%</b>
	Shares - Commission fees	9.1	16.3	79%	22.8	40%
	Other - Commission fees	1.0	0.3	-70%	0.4	26%
	Data vending	1.3	1.4	10%	1.5	5%
	Listing fees	1.0	1.1	8%	1.4	20%
	Other (member subscription, IT services, etc)	0.7	0.7	12%	0.8	12%
<b>EBITDA</b>		<b>1.0</b>	<b>6.9</b>	<b>615%</b>	<b>12.6</b>	<b>82%</b>
EBITDA margin		7%	0.3		47%	
	Depreciation & amortiz.	-1	-0.8	14%	-1	5%
<b>EBIT</b>		<b>0.3</b>	<b>6.1</b>	<b>1945%</b>	<b>11.8</b>	<b>92%</b>
	Net financials	6.2	11.9	92%	8.6	-27%
<b>EBT</b>		<b>6.5</b>	<b>18.1</b>	<b>178%</b>	<b>20.4</b>	<b>13%</b>
Tax on profit		-0.8	-2.2	178%	-2.5	13%
<b>Net profits (losses)</b>		<b>5.7</b>	<b>15.9</b>	<b>178%</b>	<b>18.0</b>	<b>13%</b>

Source: The Company, IEBA Trust Estimates.

## Due to the recent decline in price, we change our rating from HOLD to ACCUMULATE.

We value BVB using a DDM absolute valuation and we derive now a target price of RON 31.41/share implying a 14% upside to current price levels. Following a downfall by 39% from the stock's highs of RON45 per share to RON 27.5, we change our rating from HOLD to ACCUMULATE. Rating is supported by our forecasted FY11-12E average dividend yield at 7.6%.

### Discounted Dividend Model

Our DDM valuation exercise results to a lower absolute target price of RON 31.41 RON per share compared to 35.70 RON per share previously, with a 14% upside potential to current price levels.

DDM (in RON 000)	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Avg daily turnover value	39.4	55.2	47.0	47.0	47.0	47.0	47.0	47.0	47.0	47.0
Revenues	19,868.3	26,838.0	23,496.2	23,496.2	23,496.2	23,496.2	23,496.2	23,496.2	23,496.2	23,496.2
EBITDA	6,902.6	12,591.0	9,183.4	9,089.4	9,065.9	9,042.4	9,018.9	8,995.4	8,971.9	8,948.4
EBITDA margin	34.7%	46.9%	39.1%	38.7%	38.6%	38.5%	38.4%	38.3%	38.2%	38.1%
Depreciation	-761.3	-798.0	-778.6	-759.3	-740.0	-720.7	-701.3	-682.0	-662.7	-643.4
EBIT	6,141.2	11,793.0	8,404.7	8,330.1	8,325.9	8,321.7	8,317.6	8,313.4	8,309.2	8,305.0
Net financials	11,910.0	8,648.8	8,877.6	8,906.2	9,003.0	9,066.7	9,128.5	9,189.3	9,249.0	9,307.7
Corporate taxes	-2,171.4	-2,459.0	-2,078.9	-2,073.4	-2,084.5	-2,091.7	-2,098.6	-2,105.4	-2,112.1	-2,118.7
Tax rate (%)	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Net profits (losses)	15,879.8	17,982.9	15,203.4	15,162.9	15,244.4	15,296.7	15,347.4	15,397.2	15,446.1	15,494.1
Payout ratio	94.3%	94.3%	94.3%	94.3%	94.3%	94.3%	94.3%	94.3%	94.3%	94.3%
Dividend	14,977.2	16,960.7	14,339.2	14,301.0	14,377.8	14,427.2	14,475.1	14,522.0	14,568.1	14,613.3
ch. %	178.2%	13.2%	-15.5%	-0.3%	0.5%	0.3%	0.3%	0.3%	0.3%	0.3%
Discounted Dividends	14,977.2	15,085.5	11,548.4	10,619.6	9,991.7	9,154.1	8,385.7	7,681.3	7,035.5	6,443.6

Source: IEBA Trust Estimates.

DDM assumptions	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Long Term Free Risk Rate	7.25%	7.00%	6.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Estimated Beta	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Equity Risk Premium	6.0%	6.0%	6.0%	6.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
<b>Cost of Equity</b>	<b>12.7%</b>	<b>12.4%</b>	<b>11.4%</b>	<b>10.4%</b>	<b>9.5%</b>	<b>9.5%</b>	<b>9.5%</b>	<b>9.5%</b>	<b>9.5%</b>	<b>9.5%</b>
Average growth to	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

Sum of DDVs (11E-13E)	41,611.1
Sum of DDVs 2nd stage (14E-20E)	59,311.6
DDVs to perpetuity	101,715.5
<b>Total DDVs</b>	<b>202,638.2</b>
Additional excess cash	38,371.0
<b>Shareholder's value:</b>	<b>241,009.2</b>
<b>Shareholder's value/share:</b>	<b>31.41</b>
<b>Upside (Downside)</b>	<b>14.2%</b>

Source: IEBA Trust Estimates.

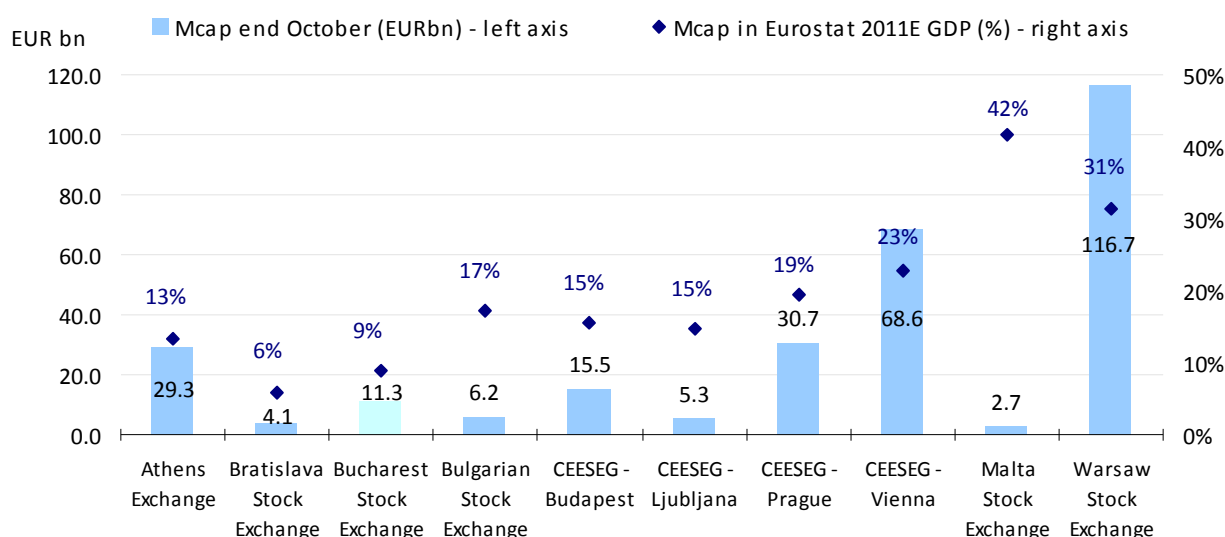
### Main upside and downside risks:

- We consider that a major upside would depend on the speed of IPOs and SPOs, particularly in the public companies;
- The risk that the SPOs and IPOs announced for the next year to be postponed until 2013, considering 2012 is an election year;
- An upside risk on the market volume should come from the transfer of major companies in Rasdaq to the main market of BVB, being listed in a more transparent and liquid market;
- A possible downside risk stems from the paralel listing of Fondul Proprietatea on Warsaw Stock Exchange that might be followed by a significant decrease of the liquidity on the Bucharest Stock Exchange.

### BVB in the Region

The local stock market weight remains relatively low compared to the region, while the coming privatizations in the next couple of years could double its size and potential as a market.

**Table: Market cap (EURbn) and Market cap in GDP (%)**



Source: FESE October data, EUROSTAT data

## RECOMMENDATION SYSTEM

SSIF IEBA TRUST uses a Relative recommendation system. Such system indicates that each stock is rated on a basis of the excess return, measured by the relative value of the target (calculated) price and the current price, over a 12 months period of time.

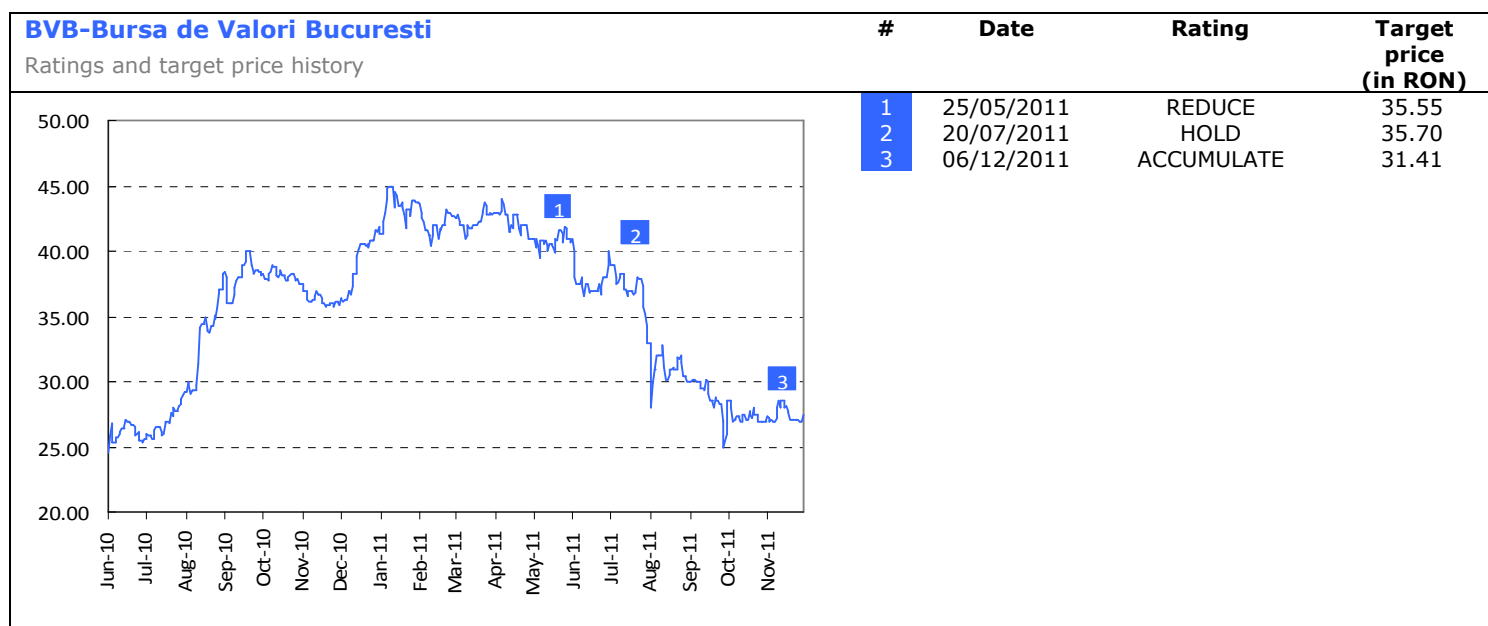
The range of recommendations for each stock consists of 4 elements: Buy (B), Accumulate (A), Hold (H), Reduce (R).

### SSIF IEBA TRUST RATINGS

BUY	The stock is expected to generate potential excess return over 15%
ACCUMULATE	The stock is expected to generate potential excess return of 5 to 15%
HOLD	The stock is expected to generate potential excess return of -5% to 5%
REDUCE	The stock is expected to generate potential excess return below -5%

Excess return: Target price/current price – 1

For the cases of Initial Public Offering, the above-mentioned recommendation system is not applied. In such cases, the recommendation is based on the comparison between the price of the Offering, and the fair value estimated by SSIF IEBA TRUST.



## Measures Definitions

IEBA Net Income	Adjusted Net Income for one-off items	
Net Cash Flow from operations	EBITDA (+/-) other provisions (+/-)(Increase)/Decrease in Working Capital	
FCF Equity	Net Cash Flow from operations (-) CAPEX	
Net debt	Total short-term and long-term bank debt (-) cash	
EV	Market Cap (avg historic or current) + book value of minorities + Net debt	
FCFPS	FCF Equity	Diluted no of shares
EPS (or IEBA)	Reported (or IEBA) Net Income	Diluted no of shares
BVPS	Total Equity	Year end no of shares
P/E (or IEBA)	Share Price (avg historic or current)	Reported (or IEBA) EPS
P/E IEBA at 52wks High	52 weeks High price (avg historic or current)	IEBA EPS / Diluted IEBA Earnings Per Share
P/BV	Share Price (avg historic or current)	BVPS
ROE	Reported Net Income	Average Total Equity
ROCE	Reported Net Income	Average (Total debt + Total Equity)
EV/EBITDA	EV (with avg historic or current)	Reported EBITDA
EV/EBITDA (x) at 52wks High	EV using 52 weeks High market cap (avg historic or current)	Reported EBITDA
EBITDA/Net financials	Reported EBITDA	Net financials: Net interest (+/-) Net financials
EV/CE (x)	EV (with avg historic or current)	CE: Total bank debt + Total Equity
FCF Yield	FCFPS	Share Price (avg historic or current)
Dividend Yield	DPS	Share Price (avg historic or current)
Dividend Payout	Dividend	Reported Net Income

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