

Westa ISIC

Powerful startup



March 7, 2012

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INVESTMENT CASE

We initiate coverage of Westa ISIC, the first foreign-listed Ukrainian engineering company and the CIS' largest producer of automotive batteries. Just two years after increasing its capacity 2.5x, Westa has doubled output (with 2/3 of capacity loaded) thanks to an aggressive, capital-intensive sales strategy. The 2007-2010 expansion was fully debt-financed, and we see deleveraging as the next natural stage in the company's development and a key capitalization driver. We issue a BUY recommendation on the stock with a 12M target price of USD 2.7/share, which implies a 114% upside.

From a debt-financed greenfield project to a mature company

Westa, founded in 2002, has become the CIS' #1 and Europe's #4 largest car battery producer. After commissioning its second plant in 2010 (60% of total capacity), Westa doubled its output in two years and reached 2/3 capacity utilization in 2011. Westa's key driver was an aggressive marketing strategy (mainly through subsidizing battery wholesalers) on the back of growth in aftermarket demand for batteries in the CIS (+30% in three years). We expect the company to retain its market position and grow broadly with CIS demand over the next 3-4 years. Following the launch of Westa's VRLA battery facility this year, the company will enter the advanced lead-acid battery market where there are no local competitors. The company financed growth in both fixed assets and working capital solely via loans in 2007-2010, and it is now mature enough to service its debt and start deleveraging.

Deleveraging to be the key equity value driver

We see decreasing debt, on expected steady growth in Westa's bottom line, as the main factor to unlock shareholder value in the mid-term. The company trades 3x cheaper than its peers on P/E 2012, mainly due to its high leverage: 4.7x Net Debt/EBITDA 2011 vs. its peers' mean of 1.7x. With no further large-scale projects in its pipeline, we believe the company will use most of its operating cash flow to deleverage and reach 2.9x Net Debt/EBITDA in 2013E.

End-2011 debt reduction yet to be priced in

The company divested its trading house in late 2011, effectively decreasing its net debt by an estimated USD 50 mln overnight. All other things equal, the market should have adjusted Westa's capitalization by a similar amount. So far, the company's MCap has increased by only USD 18 mln, still leaving room for potential growth of up to USD 32 mln (+57%). We expect the publication of the company's 2011 financials indicating decreased leverage to be a powerful short-term price catalyst for Westa.

Risks: liquidity, market competition and lead price volatility

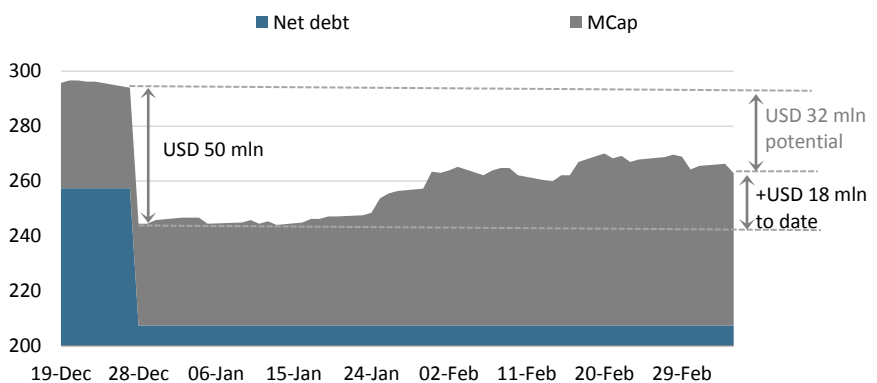
The key investment risk associated with Westa is low liquidity: Westa's average daily turnover has been USD 56 ths YTD (#7 of 10 among stocks in the WIG-Ukraine index). Other risks are an increase in competition from local producers on the Russian battery market (Westa's main target) and global lead price volatility, which might undermine the company's margins. In addition, there is execution risk related to Westa's plan to enter the new advanced lead-acid battery market.

Short-term price catalyst: end-2011 deleveraging

Westa sold its Techkomplekt trading house on December 28, 2011, effectively decreasing its total debt by 1/3 or USD 121 mln.

We estimate the deal resulted in at least a USD 50 mln decrease in Westa's net debt overnight while keeping the company's profit generation potential broadly unchanged. All other things being equal, we believe the deal should be reflected in a symmetrical USD 50 mln increase in Westa's market capitalization. So far, the company's MCap has advanced by USD 18 mln since announcement of the deal, which leaves room for further USD 32 mln growth in the short-term (+57% price per share). We expect the company's full-year 2011 financial report (which will reflect the divestment) to be a catalyst for further stock appreciation.

Westa market EV structure, USD mln*



* Based on the last reported net debt number (USD 257 mln as of end-3Q11)

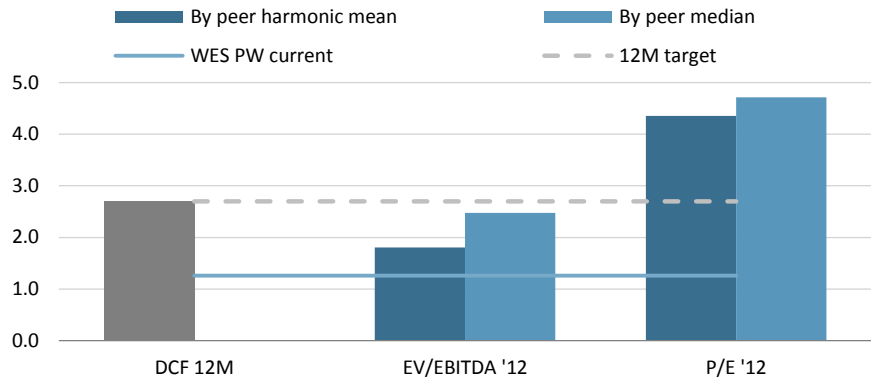
Source: Company data, Bloomberg, Concorde Capital estimates

VALUATION SUMMARY

We set our 12M target price for Westa based on DCF valuation, which is supported by peer comparison on 2012 EV/EBITDA multiple. While peer benchmarking on P/E suggests a higher valuation, we believe this potential is limited by the company's high leverage.

Our 12M target of USD 2.7/share (PLN 8.6/share) implies 114% upside; we initiate coverage of Westa with a BUY recommendation.

Implied WES PW price, USD/share



Source: Company data, Bloomberg, Concorde Capital estimates

RISKS

We identify the following risks that could have a material impact on our valuation:

Lead price volatility

Volatility in global lead prices directly affects Westa's earnings, as lead accounts for 3/4 of SLI battery costs. Historically, Westa has tried to peg its battery prices to the market quotes of lead, which paid off when lead prices were steadily growing but worked poorly when lead prices were volatile: the company's margins in 2011 suffered from the fall in lead quotes in 2H11. The market consensus is for a steady increase in lead prices in the short to mid-term, suggesting this year will be better for Westa's margins.

Tougher competition on the Russian market

Russia is Westa's main target market. Westa capitalized on 36% growth in Russian battery demand over 2007-2010 and the inability of local producers to meet growing demand. The high potential of the Russian market in terms of growth and scale might stimulate local players to increase their output and exacerbate the competitive environment. While Westa's technology and cost advantages to Russian producers are likely to help it preserve its market share, the increased competition might undermine the company's margins.

Execution risk for advanced lead-acid battery project

Westa is preparing to enter the profitable and fast growing niche of advanced lead-acid batteries with the launch of its AGM battery production facility in 2012. This product is new to Westa, and the company's marketing strategy and tactics in the new niche are not clear at the moment.

Corporate governance

In its nine months as a publicly traded company, Westa has frustrated investors by underperforming in terms of output targets and on deleveraging promises. The company was able to meet and even exceed its pre-IPO deleveraging promise in late 2011, and we believe it will further improve in this area. Nevertheless, the risk of new unfulfilled promises is still there.

Leverage

The company's high leverage (Net Debt/EBITDA is estimated at 4.7x as of end-2011) is a risk. We note that the company generated enough cash flow to service and repay its debt in 2010 and 2011, and it was able to restructure USD 43 mln in debt repayable in 2012, thus we do not expect high leverage to be a headache this year.

We apply a 4% company-specific risk premium in our calculation of Westa's cost of equity.

Westa ISIC S.A.

- The youngest (founded in 2002) and largest car battery producer in the CIS, with a 31% market share in Ukraine and 10% in Russia (2010); leader in the aftermarket car battery segment in both countries
- Two production facilities, commissioned in 2005 and 2010, were built from scratch using state-of-the-art technology to provide technological (cost) advantages to all local peers
- Battery sales grew 2x in two years - Westa quickly loaded new capacities due to strong relations with dealers, aggressive marketing efforts and weak competition in Russia
- We believe the company can rapidly deleverage after its debt-financed growth: we expect Net Debt/EBITDA to fall from 5.3x in 2010 to 3.9x in 2012E and 2.9x in 2013E

Company description

Westa ISIC S.A. operates two battery production workshops in Dnipropetrovsk, with a total annual capacity of 7.6 mln conventional batteries (battery of 60A*h equivalent capacity). Westa manufactures and sells SLI (starting lighting and ignition) batteries to the aftermarket. The company produces wet cell lead acid batteries, and conducted an IPO on the WSE in 2011 to finance construction of a facility for advanced lead-acid batteries (0.5 mln conventional units p.a.) that will be commissioned in 2012.

Selected financials and ratios

	2010	2011E	Chg,yoy	2012E	Chg, yoy
Net revenue	154.3	192.8	25%	226.6	18%
Gross margin, %	35%	30%	-5pp	31%	1pp
EBITDA	54.5	45.7	-16%	54.9	20%
EBITDA margin, %	35%	24%	-12pp	24%	1pp
Net income	33.7	1.3	-96%	19.7	1451%
Net margin, %	22%	1%	-21pp	9%	8pp
PP&E, net	179.7	185.5	3%	210.2	13%
Shareholder equity	1	48	3796%	68	41%
LT debt	152.0	97.4		62.4	
ST debt	149.2	125.1	-16%	160.5	28%
Total liabilities & equity	337	303	-10%	329	9%
Operating Cash Flow	-17.1	78.2	-556%	5.9	-92%
CapEx	16.0	5.0	-69%	5.0	0%
Current ratio	0.8	0.5	-31%	0.5	0%
Net debt/Equity	234.5	4.4	-98%	3.1	-29%
ROA	11%	0%	-11pp	6%	6pp
ROE	-200%	5%	205pp	34%	29pp
ROIC	8%	0%	-8pp	8%	7pp

Source: Company Data, Concorde Capital estimates

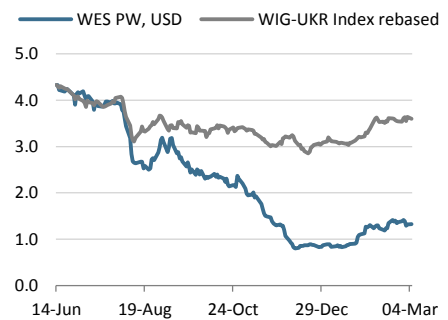
Battery sales, ths conventional units

	2010	2011	Chg,yoy	2012E	Chg, yoy
Wet cell batteries	4,321	5,090	18%	5,497	8%
VRLA AGM batteries	0	0	-	200	-

Source: Company data, Concorde Capital estimates

WES PW Current: USD 1.26
Target: USD 2.70 **BUY**

Performance since inception



Source: Bloomberg

Market data

	WES PW
Bloomberg	
Current price, USD	1.26
MCap, USD mln	55.5
Net Debt 2011E, USD mln	214.7
EV 2011E, USD mln	270.2
Free float, %	25%
Free float, USD mln	13.9
Common shares outstanding, mln	44.133

Source: Bloomberg

Ownership structure

Vankeria Consultants Ltd. (Cyprus)	75.0%
ING OFE (Poland)	13.0%
Pioneer PEKAO IM (Poland)	2.2%
Other	9.8%

Source: Bloomberg, Company data

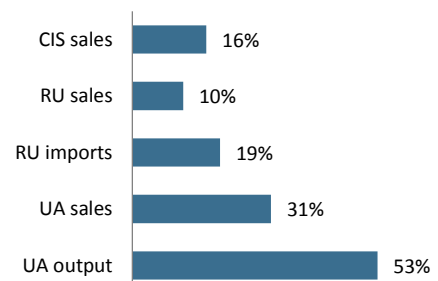
Multiples and per-share data

	2010	2011E	2012E
EV/Sales	2.2	1.4	1.2
EV/EBITDA	6.3	5.9	4.9
P/E	1.6	n/m	2.8

EPS, USD 0.76 0.03 0.45

Source: Company data, Concorde Capital estimates

Position in key markets, 2010



Source: Company data, Concorde Capital estimates

MARKET POSITIONING

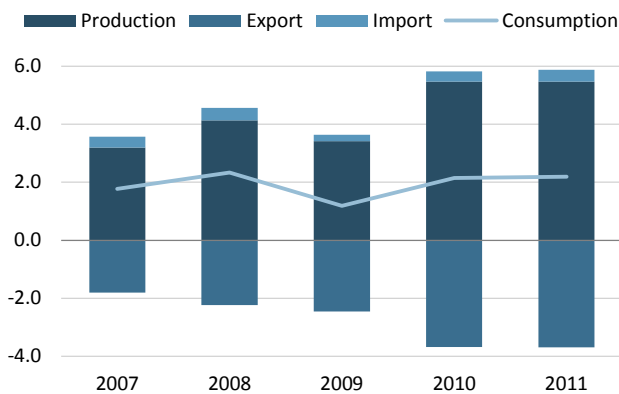
Leader of the industry that it built

Founder of the local battery industry and its largest player

Ukraine's SLI (starter, lighting and ignition) battery industry is young, having only been established in 1992 with strong state support. After being a 100% importer of SLI batteries in the early 1990s, Ukraine now produces nearly 2.5x more batteries than it consumes.

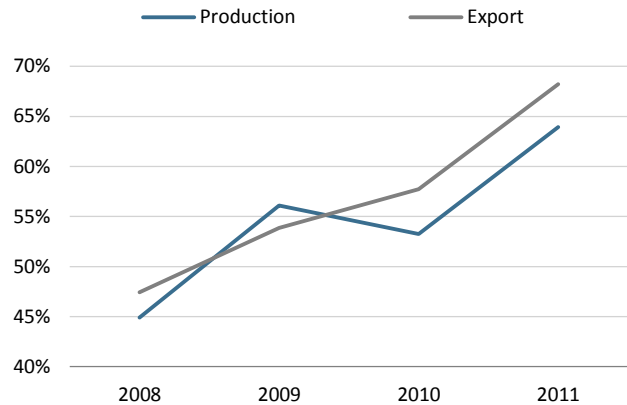
Though Westa is a young market player (with facilities constructed in 2005 and 2010), it has become an industry leader. The company accounted for more than half of Ukraine's SLI battery production and exports in the last two years.

SLI battery market in Ukraine, mln units



Source: UkrStat

Westa's share in Ukraine's battery industry



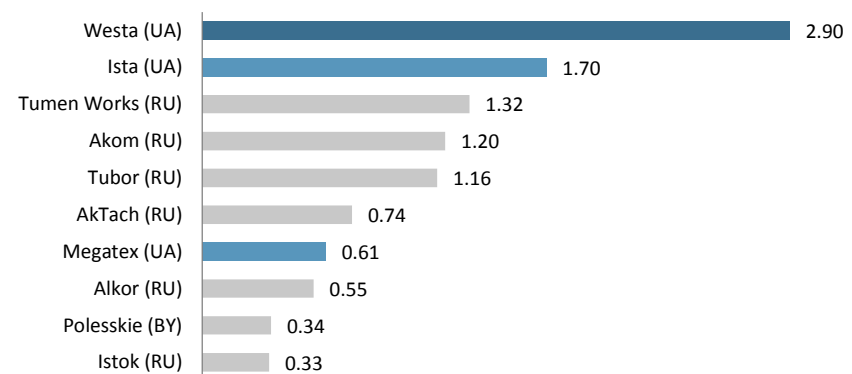
Source: Company data, UkrStat, Concorde Capital estimates

The company's management has extensive experience in the industry - Westa's founders, the Dzenzerskiy family and their team, launched the battery industry in Ukraine. Ukraine's battery industry pioneer and currently the second-largest battery maker, Ista, was founded by the Dzenzerskiy team back in 1992. After selling Ista to their partners, the team initiated a greenfield project under the Westa brand in 2002, which became the new industry leader already in 2010.

Top CIS battery producer

Over the last couple of years, Westa has been able to strengthen its position as the CIS' leading producer and seller of SLI batteries. In 2010 and 2011, it was the largest player on both the Ukrainian and Russian battery aftermarket. The company estimates its share of the CIS battery market at 16% in 2010.

Top-10 CIS automotive battery producers, mln units, 2010

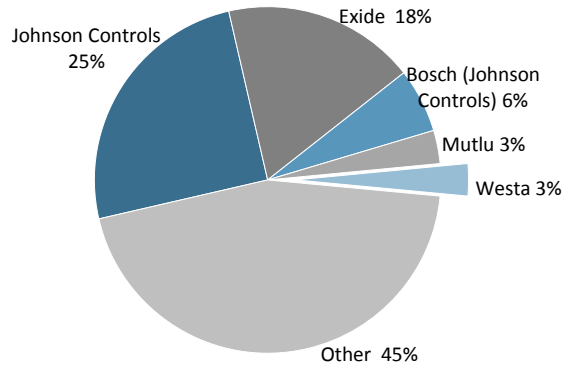


Source: Company data, RusStat, Concorde Capital estimates

One of the leading European producers

Westa accounts for roughly 3% of the total European automotive battery market in monetary terms, and is positioned among the global and regional battery production leaders. The company claims it has a price advantage over its competitors in the EU mainly due to lower workforce costs, and to its CIS competitors due to lower content of lead, the main battery cost component.

Breakdown of European* automotive battery market (in value terms), 2010



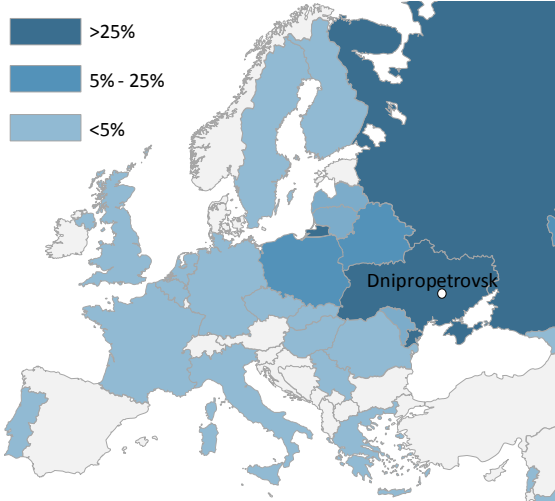
* Includes CIS and Turkey

Source: Exide Technologies, Concorde Capital estimates

Geographical focus: neighboring countries

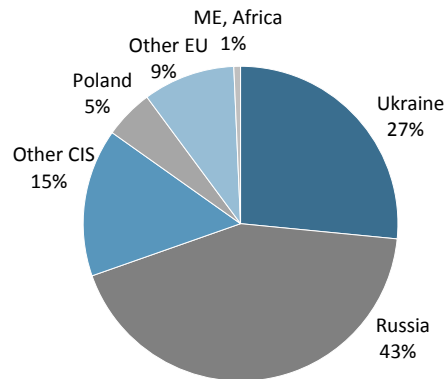
Westa is actively diversifying into new markets, but its key markets remain Ukraine and neighboring Russia and Poland.

Westa's geographical sales distribution, 2010-2011



Source: Company data

Sales distribution by markets, 2010 in conventional units



Source: Company data

Location is a competitive advantage

The proximity of Westa's production facilities to its main markets (the CIS and EU) is an important advantage. It has smaller workforce costs compared to EU producers and is closer to its main markets (the CIS and EU) than Chinese peers, which supports better pricing and superior delivery terms compared to its competitors.

The company sells cheaper and lower quality batteries to Ukraine and neighboring CIS countries due to lower income per household, which makes price the key criteria for selecting batteries in these countries.

Westa is able to sell more expensive (higher value-added, more profitable) batteries to EU markets where higher prices compensate for higher production and transportation costs.

Marketing focus: rich but seasonal aftermarket

Westa sells most its automotive batteries on the aftermarket, i.e. as replacements for the batteries originally installed in vehicles. The lifespan of a typical car battery (3-5 years depending on quality, intensity of use and climate conditions) is up to 5x less than that of a car.

A focus on the aftermarket segment has three distinct benefits for battery makers compared to the segment of original equipment manufacturers (OEM, supplies to car producers):

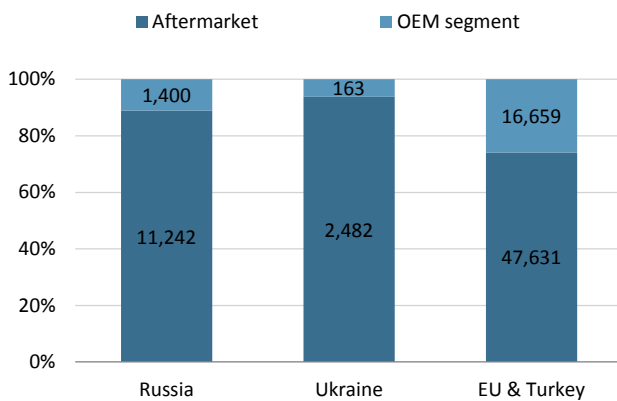
- The aftermarket is five times larger than the OEM segment by size
- Demand in the aftermarket is insulated from shocks in demand for new cars
- Producers have more bargaining power on the aftermarket compared to sales to large car manufacturing companies

An aftermarket focus also entails some challenges for producers, like high seasonality in demand and higher costs related to marketing. We believe both challenges are reflected in Westa's cash operating cycle, which is much longer compared to industry averages.

The battery aftermarket is much larger in size than OEM

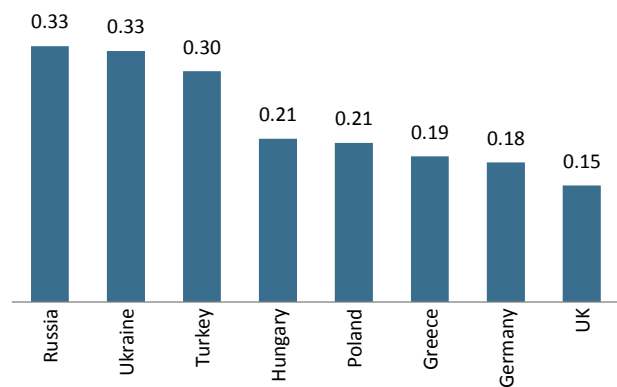
The size of battery aftermarket is more than fivefold larger than the OEM segment. The aftermarket segment is especially attractive in terms of volume in CIS countries, Westa's key target markets, due to much higher battery replacement rates and less OEM demand.

Aftermarket vs. OEM battery demand in 2010, ths units



Source: Russian, Ukrainian and EU statistical agencies

Aftermarket battery demand / total cars ratio, 2010

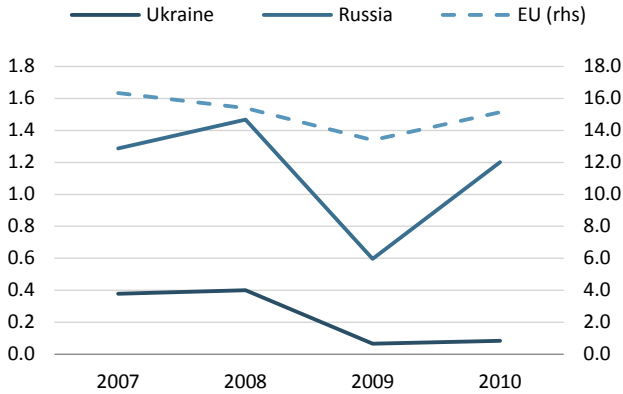


Source: Russian, Ukrainian and EU statistical agencies

Demand in the aftermarket is more stable

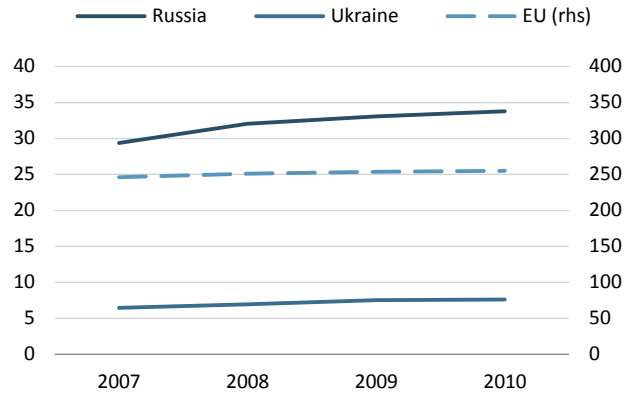
Battery demand in the aftermarket is a function of the total number of cars rather than new car production. The aftermarket, therefore, experiences smaller fluctuations in demand, which was especially visible during 2008-2009 when new car production was falling.

New car output, mln units: driver of OEM segment demand



Source: Russian, Ukrainian and EU statistical agencies

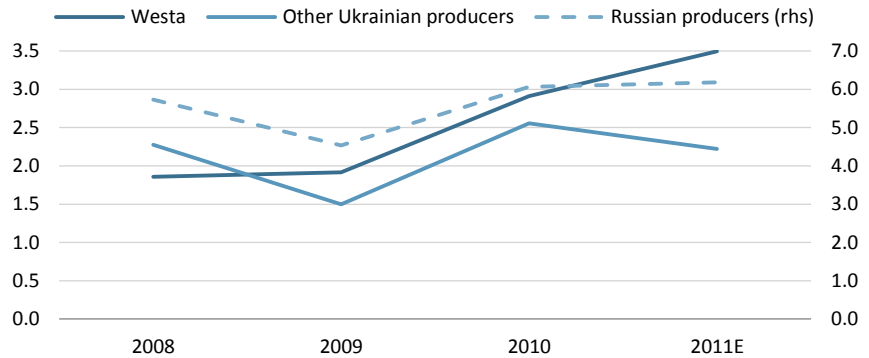
Total cars, mln units: driver of aftermarket segment demand



Source: Russian, Ukrainian and EU statistical agencies

Westa’s focus on the aftermarket segment actually allowed the company to increase battery production in physical units in 2009. This is in sharp contrast to other Ukrainian and Russian battery makers, most of which have a large share of direct supplies to car manufacturers.

SLI battery production, mln units



Source: UkrStat, RusStat, Company data, Concorde Capital estimates

Battery makers have more bargaining power in the aftermarket

Westa claims the aftermarket is more profitable than OEM, mainly because it is easier to bargain with smaller retailers than with larger car manufacturers.

Moreover, aftermarket car batteries are positioned as a first-order necessity good, in contrast to their positioning as spare parts in the OEM market. For this reason, end-users in the aftermarket are ready to pay higher battery prices.

Marketing is more important in the aftermarket

The main challenge related to the aftermarket segment is a reliance on retail demand, which requires larger expenses on promotions.

According to Westa, it sells most of its products through networks of dealers, who assume most of the costs related to the promotion of its batteries. In turn, Westa has the flexibility to develop tailored brands to suit the preferences of its dealers' clients. Westa has more than 30 different brands, which, according to management, have been specially designed for different regional markets and target audiences.

In order to reel in the aftermarket dealers, Westa makes concessions, mostly in the form of generous payment conditions (i.e. no price discounts). We see this as the main reason for the company's extremely long cash operating cycle, as discussed on page 34.

Seasonality in demand is more pronounced in the aftermarket

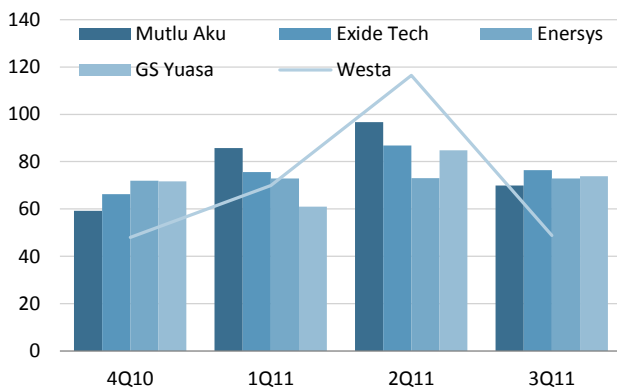
Another challenge in the aftermarket is extremely high seasonality in battery demand. As most battery failures are the result of operation in extreme temperatures, the peak of demand for new SLI batteries is in the fall-winter, while spring-summer is relatively calm. Westa made 61% and 65% of its annual battery sales in the second halves of 2010 and 2011, respectively.

Seasonality in aftermarket demand implies two important drawbacks for Westa:

- The need to invest in high working capital (finished goods inventory) to secure high capacity utilization in the calm period, and/or
- Poor annual capacity utilization

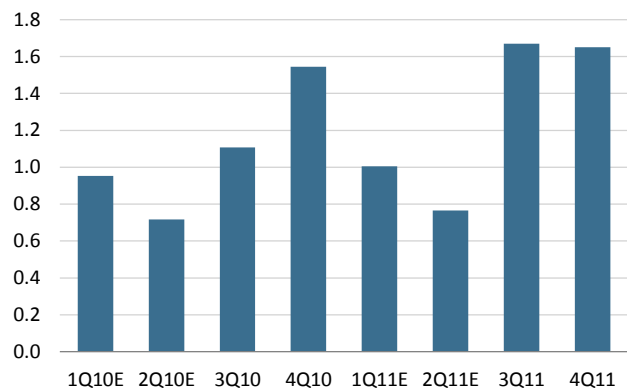
Seasonality in the aftermarket is another reason for Westa's long cash operating cycle, in our view.

Inventory turnover, days



Source: Company data, Bloomberg, Concorde Capital estimates

Westa's sales breakdown by quarters, mln conv. units



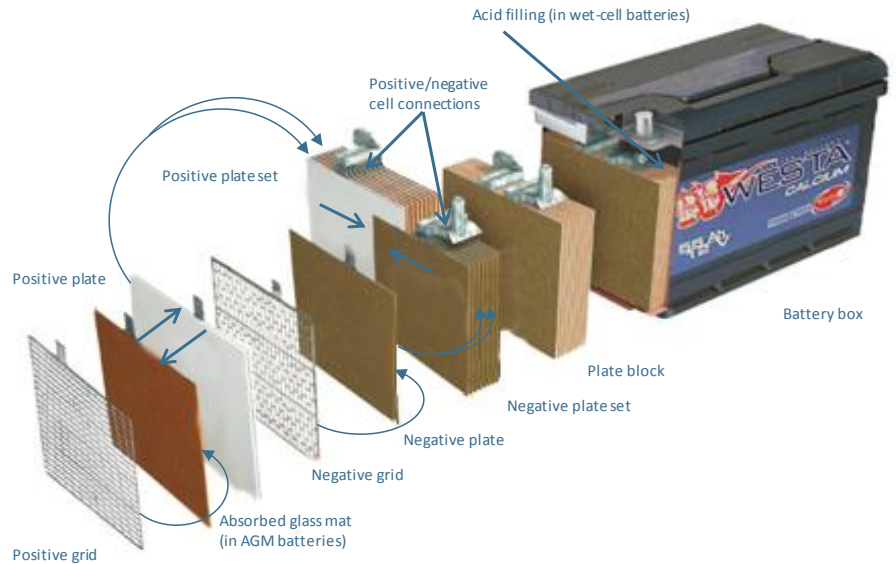
Source: Company data, Concorde Capital estimates

A COST EFFICIENT PRODUCER

Battery technology: lead is 3/4 of costs

The two key components in lead-acid batteries are the lead grids and acidic electrolyte filling, which react to produce an electric impulse or direct electric current.

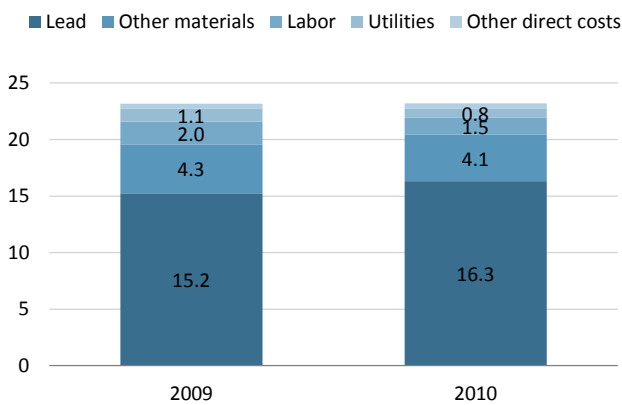
Battery assembly pattern simplified



Source: Eurobat, Varta, Westa, Concorde Capital

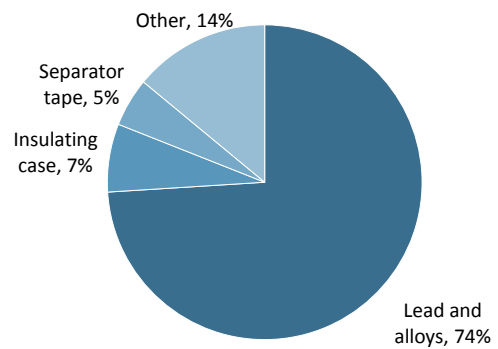
Lead is the most important input for SLI batteries and accounts for roughly 3/4 of production costs. Other important cost components are separator materials, plastic boxes and the acid filling. Among non-material components, key cost items are utility costs (mainly electricity for battery charging) and labor.

Westa's operating cost structure, USD/conv. unit



Source: Company data, Concorde Capital estimates

Westa's material cost structure, 2010



Source: Company data

A lead boom beneficiary

A cost-efficient battery maker

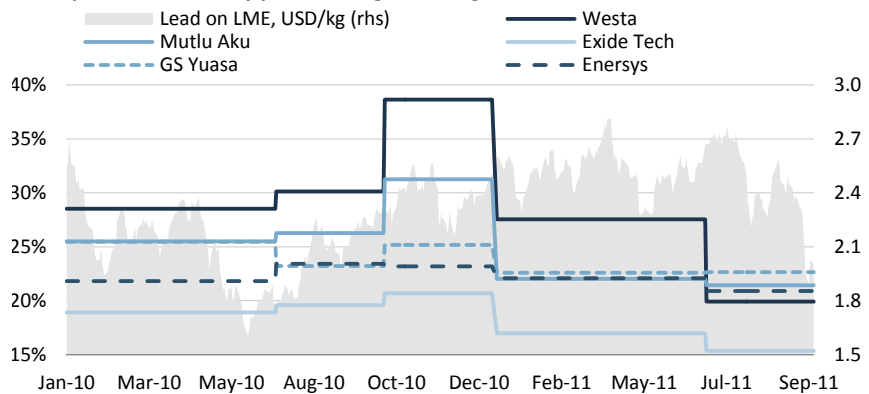
According to Westa’s management, the punching technology it uses to form the lead grid (as an alternative to casting technology) allows it to save up to 10% of lead in the battery making process without sacrificing quality. We note that most leading global producers also use this more efficient technology, but due to their large scale, some of their assets still utilize older production methods.

Westa is better off when lead prices are booming

Due to Westa’s cost advantages, the company benefits from increases in lead prices, while global battery makers have to adjust their battery prices to maintain profitability. On the other hand, if commodity prices decline, Westa’s cost advantage would be less visible.

According to management, Westa is trying to hedge itself against growth in lead prices by linking the prices of batteries sold to lead quotes on LME. This policy works well when global lead prices are growing, as was the case in 2010: cost advantages and lead-linked pricing allowed Westa to generate a 35% gross margin vs. global peers’ 22% average. However, this might lead to unexpected results when lead prices fluctuate, like in 2011. The company was unable to fully benefit from short-term peaks in lead quotes in mid-2011, and the company’s profits suffered as commodity prices fell in 3Q11.

Lead quotes and battery producers’ gross margins

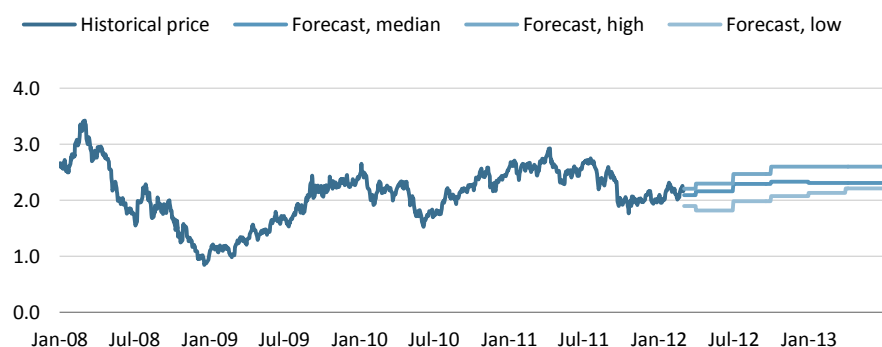


Source: Bloomberg, Company data

Lead price outlook is positive

The lead price outlook for 2012 is beneficial for Westa – consensus indicates 15% growth in the price of lead by the end of this year, which should enable the company to benefit from both cost advantages and linking battery prices to lead rates.

Consensus outlook for lead price, USD/kg

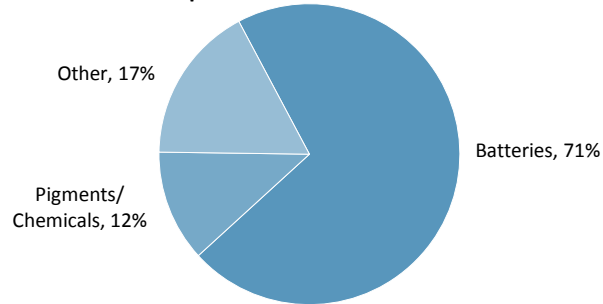


Source: LME, Bloomberg

Lead moves in line with other commodities, despite seasonal demand

The battery industry is the main global consumer of lead, accounting for more than 70% of total demand. Demand for batteries is seasonal, skewed to fall-winter time, and so is demand for lead.

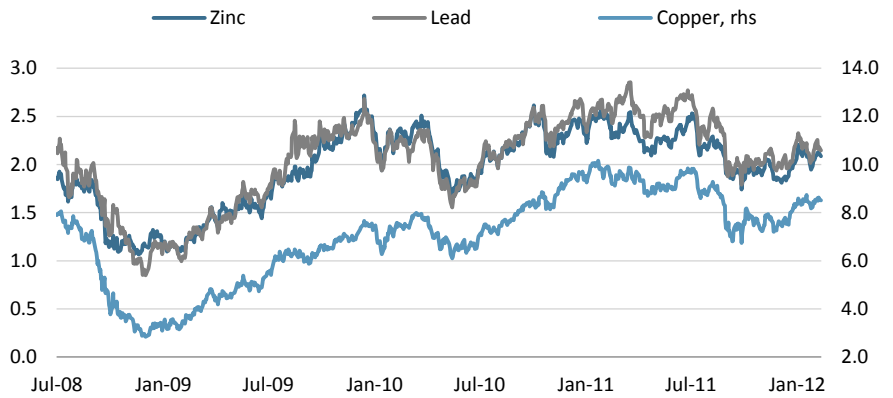
Global lead consumption structure



Source: LME

Note that despite the seasonality in demand for lead, its price has historically been in line with quotes for other non-ferrous metals. Generally, price spikes in quotes on the LME are driven by speculation, not by fundamental changes in lead demand.

Lead vs. other hard commodities, USD/kg



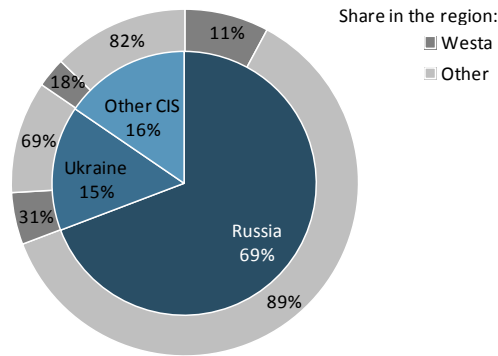
Source: LME, Bloomberg

PROSPECTS ON THE BATTERY MARKET

Anchored in the CIS, Europe’s fastest growing market

Westa’s most important markets are Russia, Ukraine, Belarus and Kazakhstan, where the company claims to have established good relations with battery dealers. Westa estimated its share of the CIS battery market at 16% in terms of battery supplies in 2010.

Regional structure of CIS battery aftermarket, 2010



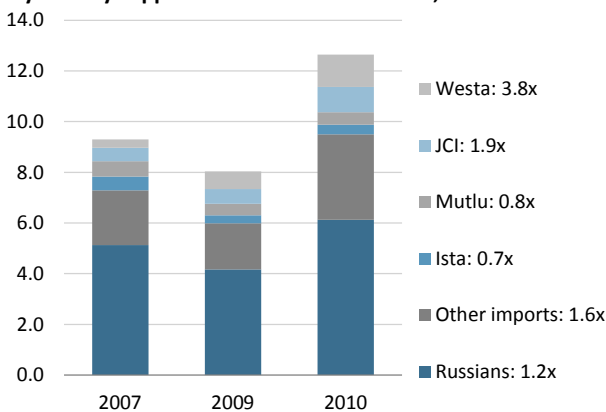
Source: Company data, UkrStat, RusStat, Concorde Capital estimates

The company’s key advantages in the CIS are:

- Lower production costs (including workforce and utility expenses) and smaller transportation costs compared to international peers
- The CIS markets’ protective 10%-15% duties on battery imports from non-CIS countries, which make the cost advantage of local players more pronounced
- Technology advantages compared to most local peers, which allows the company to provide better quality products at lower prices
- Attractive conditions for dealers with post-payment contracts that make Westa’s products attractive for retailers

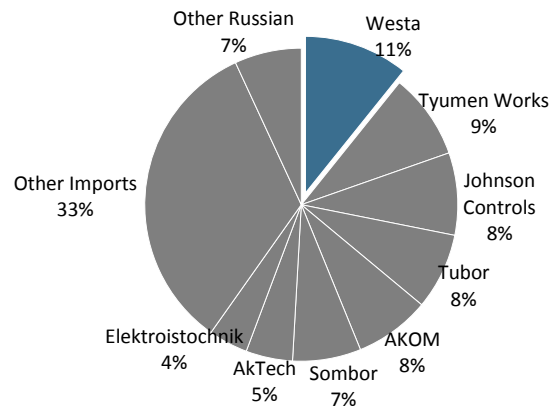
In addition to its competitive advantages, Westa was lucky in terms of timing of its capacity expansion. The company was able to quickly load its new facility (commissioned in 2010) on a sharp increase in battery demand in Russia (+57% yoy), and Russian producers’ and importers’ inability to meet the growing demand. As a result, Westa’s battery supplies to the Russian market doubled yoy in 2010.

Key battery suppliers to the Russian market, mln units*



*Legend shows the increase in supplies over 2007-2010
Source: Company data, Concorde Capital estimates

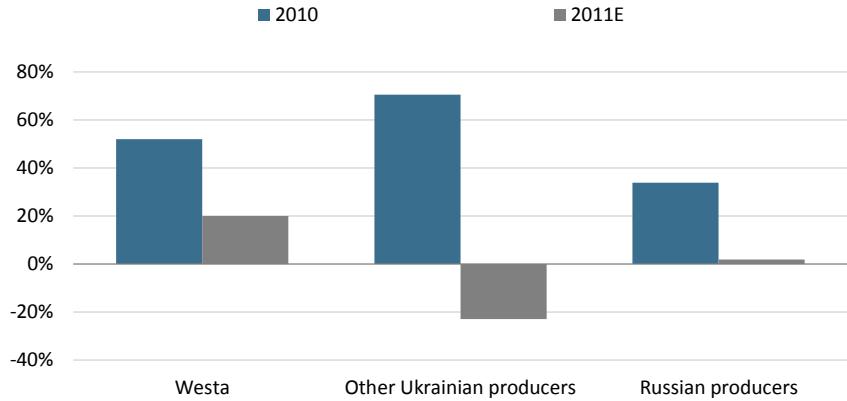
Russian aftermarket, 2010, physical units



Source: Company data, RusStat, Concorde Capital estimates

The key risk for Westa in its key market, therefore, is an expected strengthening of competition, mainly from Russian producers. However, as the year 2011 showed, Westa was able to strengthen its status as the region’s fastest growing company. We forecast Westa’s battery supplies to the CIS to grow 20% by 2015, in line with the expected increase in demand.

Output growth rates for CIS battery producers, yoy



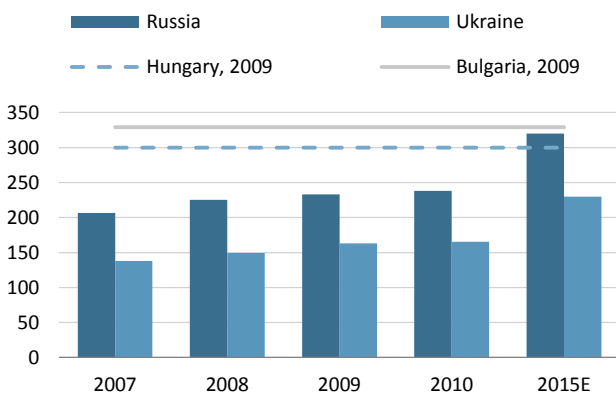
Source: Company data, UkrStat, RusStat, Concorde Capital estimates

Increasing CIS car penetration to further drive battery demand

The CIS battery market is the most promising in terms of growth in the mid-term. Car penetration in the region significantly lags EU levels, but is converging relatively fast.

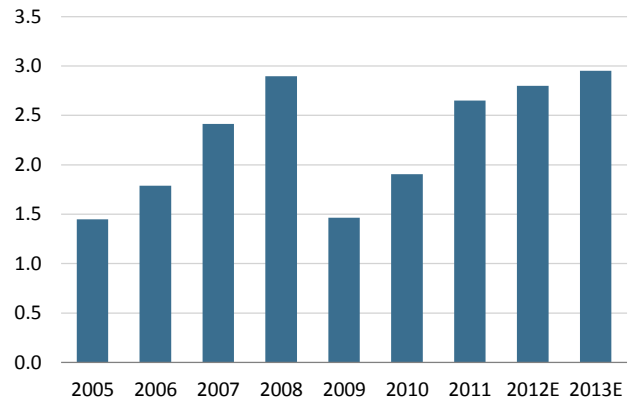
With aftermarket demand for 11.2 mln car batteries in 2010, Russia is the largest market for SLI batteries in Europe and the CIS. Russia imported 6.7 mln car batteries (54% of total consumption) at USD 320 million in 2010, which is a 1.7x and 2.0x y-o-y increase in volume and value terms. We expect car penetration in Russia to reach the 2009 levels of Bulgaria and Hungary by the year 2015.

Car penetration, units per 1,000 inhabitants



Source: Country statistical agencies, Eurostat, Concorde Capital estimates

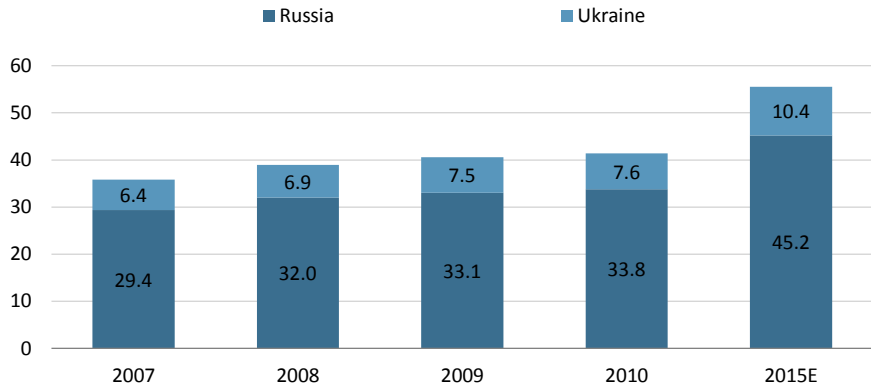
New car sales in Russia, mln units



Source: AEB, Autostat, Concorde Capital estimates

We forecast the total number of cars in Russia to grow 34% during 2011-2015, while total cars in Ukraine will expand 36% over the same period, converging more rapidly with levels in neighboring EU countries.

Total cars in Russia and Ukraine, mln

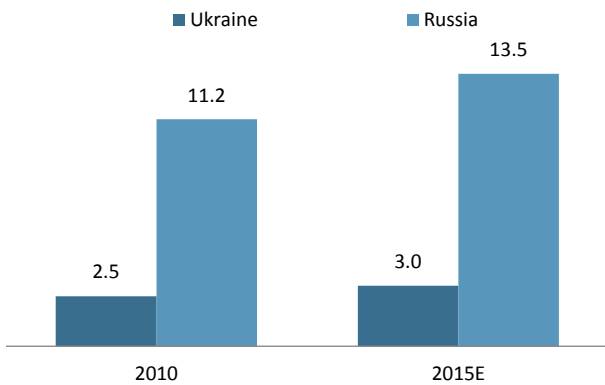


Source: Country statistical agencies, Concorde Capital estimates

The population's wealth growth, the main driver of car penetration, should also stimulate demand for higher quality batteries with longer lifespans. In turn, this should lead to battery demand in the region growing slower than the total number of cars.

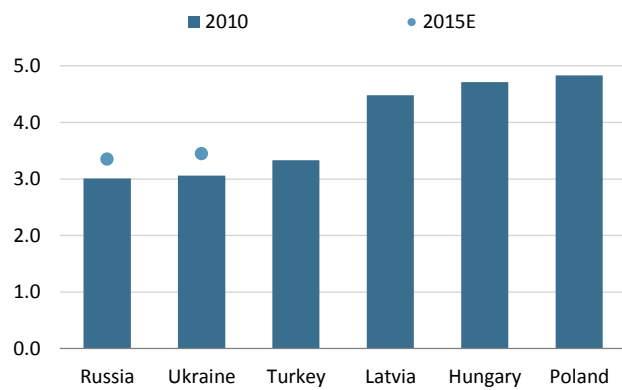
We expect aftermarket battery demand to grow 20%-21% over the next five years. For Russia, we expect the total volume of the battery market to reach 15.3 mln units by 2015, with aftermarket demand accounting for 13.5 mln units.

Battery aftermarket demand, mln units



Source: Country statistical agencies, Concorde Capital estimates

Average battery life, years



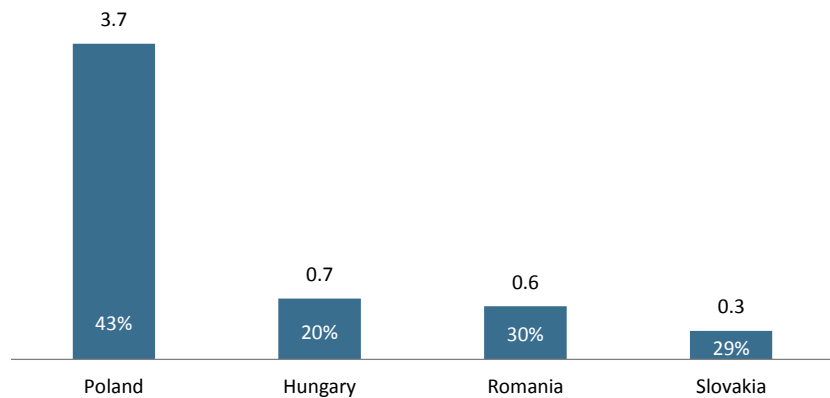
Source: Country statistical agencies, Concorde Capital estimates

EU: Poland is the primary target

Westa's management considers neighboring Poland its second most important export destination after CIS. Poland has the EU's sixth highest number of cars, and car penetration is still some 10% below the EU average. Westa estimates its share of the Polish battery market at 4% in 2010, and claims there is the potential to double its share in the short-term.

Other EU countries neighboring Ukraine are smaller markets for Westa, but have potentially higher prospects for demand growth. Car penetration levels in those countries are much lower compared to Poland.

Aftermarket battery demand in neighboring EU countries, mln, 2010*



* Percentages inside bars represent car penetration
Source: Eurostat, Eurobat

Westa's main competitive advantages on EU markets are:

- Better flexibility in pricing due to smaller production costs, mainly on lower workforce and utility expenses
- Flexible payment conditions for dealers, which is an important part of the company's strategy to secure its presence in target EU markets

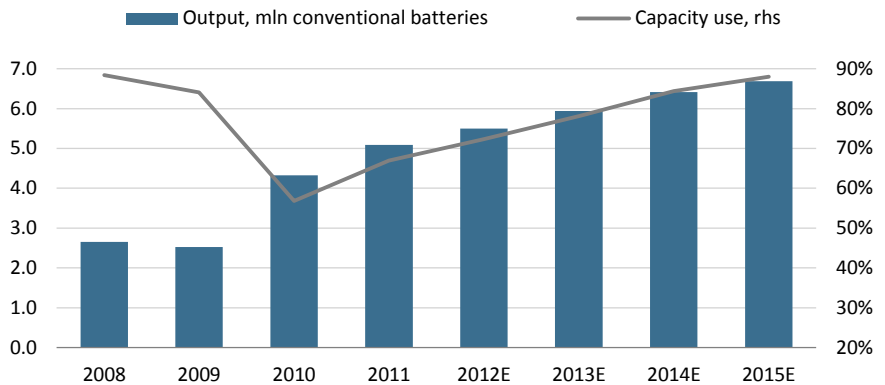
We expect the company's share of battery supplies to EU countries to increase slightly faster than to the CIS.

Mid-term outlook: steady growth in sales

While Westa previously said it planned to fully utilize its battery production capacity in the mid-term, we believe this goal is too ambitious. While the demand outlook for Westa's batteries in the CIS and CEE is favorable, we believe the key output-limiting factor will be the high seasonality of battery demand in Westa's niche, the aftermarket.

We expect annual production of wet cell batteries to be limited to 88% of total declared capacity (its maximum historical level reached in 2008), or to 6.7 mln conventional batteries. We forecast the company will expand its output by 8% yoy over 2012-2015 until it reaches this output ceiling.

Westa's capacity use

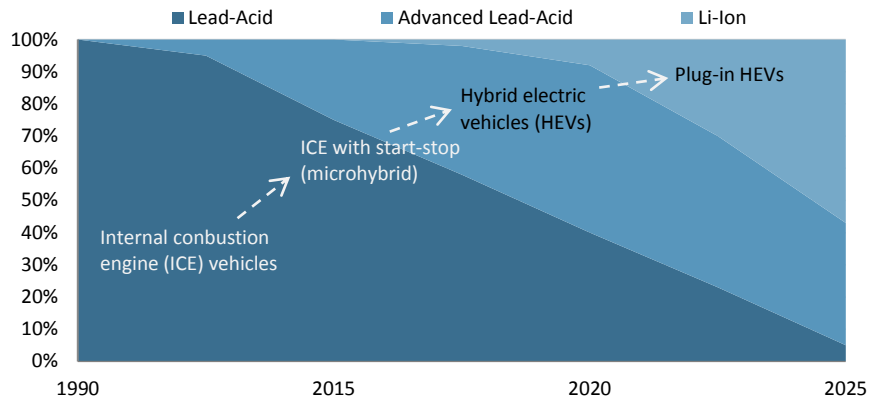


Source: Company data, Concorde Capital estimates

Long-term: HEV popularity questions wet battery demand; Westa ready to address the challenge

The growing market for hybrid electric vehicles (HEV) poses risks to wet cell lead-acid battery demand in the mid to long-term as most HEVs use advanced batteries. According to the forecasts of leading global battery market players, hybrid and plug-in electric vehicles will fully replace standard internal combustion powered vehicles in the long-term.

Evolution of new cars by technology and battery use – Johnson Controls



Source: Johnson Controls, Concorde Capital visualization

Even if more fuel-efficient vehicles fully replace internal combustion cars on producers' conveyors in 15 years, there will still be a sizeable niche for standard lead-acid batteries on the aftermarket. The average car in Ukraine is 18 years old, in Russia – 13 years old and in EU countries – 8 years old.

Meanwhile, Westa is moving into the advanced lead-acid battery market with the commissioning a facility to make batteries with an AGM separator. Refer to the next section for more details.

AGM battery: ticket to the premium segment

Westa is close to finishing construction of a new advanced lead-acid battery production facility. The new products should help increase the company's profitability and secure the sustainability of its business in the long-term.

VRLA battery with an AGM separator

At its new facility, Westa is going to produce lead-acid batteries with an AGM (absorbed glass mat) separator, also known as a VRLA (valve-regulated lead acid) battery.

The key distinction between a common lead-acid battery (wet cell battery) and VRLA battery is the electrolyte filling – unlike a wet cell battery, VRLA batteries have an immobilized electrolyte.

The two types of VRLA batteries are:

- Gel cell batteries with an electrolyte in the form of gel
- AGM (absorbed glass mat) batteries with a fiberglass separator containing the electrolyte (refer to picture on page 16 for details). AGM is considered the latest step in lead-acid batteries evolution

VRLA batteries, due to the fixed electrolyte, are more resistant to vibrations and impacts, spill-proof in the event of damage and do not produce any evaporation. In addition, the non-fluid filling ensures better contact within the battery, which in turn enables better efficiency and allows for the battery to be seated in any orientation. The features of VRLA batteries significantly increase the potential ways they can be used compared to standard wet cell units.

VRLA batteries are used actively in:

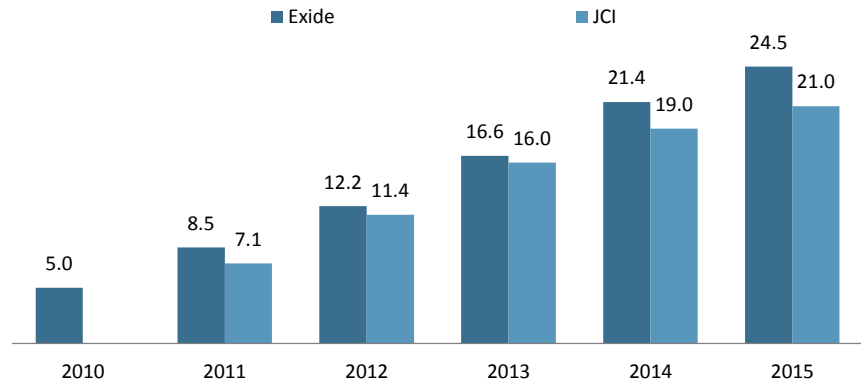
- start-stop vehicles - due to higher efficiency and better resistance to frequent recharges
- the entire range of hybrid cars - due to higher efficiency
- motorcycles and compact cars - due to the possibility to insert the battery in any orientation
- off-road, sport and premium class cars - due to greater resistance to vibrations and safeguards against acid leaks
- in-house electrical equipment (UPSs, in-house loading and transportation machines, wheelchairs, etc.) due to the absence of evaporations

AGM batteries command up to a 100% price premium to wet cell batteries.

Global demand to grow fast

AGM automotive batteries are mainly used in EU countries and are utilized in vehicles equipped with start-stop systems (micro-hybrids) and hybrid electric vehicles. Leading battery producers estimate this segment will increase 4-5 times by 2015, which should make AGM the fastest-growing segment of automotive batteries in the near future.

Global start-stop vehicle market: key battery suppliers' forecasts, mln



Source: Johnson Controls, Exide Technology

Key risks for Westa's AGM project

Westa's AGM battery project exposes it to two key risks, in our view:

- Execution risk as, so far, the company has no experience in producing batteries with these technologies
- Market risk, as the exact target markets for Westa's AGM batteries are not clear. We do not see a sizeable niche in the aftermarket for Westa because (1) the start-stop vehicle market is concentrated in OEM rather than the aftermarket, and (2) the long lifespan of AGM batteries means aftermarket demand is forming slowly.

All in all, the company's AGM plan does not look aggressive: Westa's AGM battery capacity will be only 0.5 mln conventional batteries p.a., which is 15x less than its wet cell capacity.

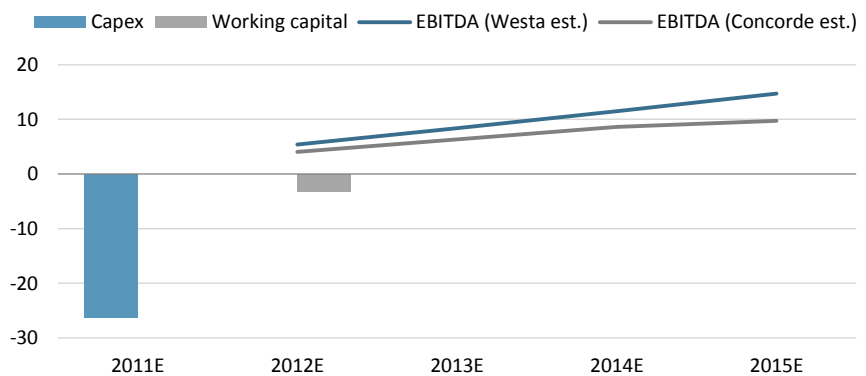
Key benefits of VRLA battery production for Westa

Though Westa expects VRLA battery costs to be 30% more than for wet cells, we expect it will be able to charge 65% higher prices for them (the company's outlook is for a 75% premium). We therefore expect the new segment will be a key profitability driver for the company in the short-term.

Demand for VRLA batteries also seems to be less seasonal than for wet cell batteries. The project, therefore, will help the company to smooth its operating seasonality. More importantly, non-seasonal demand should allow Westa to load its VRLA battery facility much better than its wet cell facility.

Westa can also potentially gain from synergies, due to similarities in the production of VRLA and wet cell batteries. The company will be able to produce wet cell batteries at its VRLA battery plant in peak seasons to better address SLI aftermarket seasonality, or even partially refocus part of its wet cell production capacity to VRLA batteries in the low season.

AGM battery project summary, USD mln



Source: Company data, Concorde Capital estimates

FINANCIALS AND FORECASTS

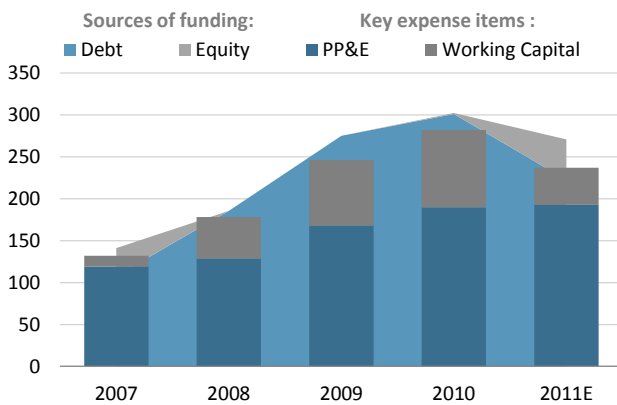
Leverage is decreasing as Westa matures

Westa's high leverage (net debt/equity of 6.8x as of end-3Q11) is the result of financing its rapid expansion in terms of capacity and output over 2007-2010 with debt. In our view, substantial investments in working capital over 2009-2010, after the company doubled its production capacity, were required for the company to facilitate sales expansion to levels that enabled the company to breakeven. Having reached this level in 2010, the company has scaled back its debt.

Westa's debt: financed new capacity and sales expansion

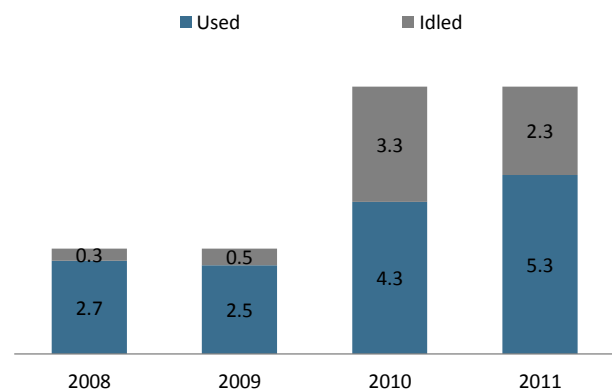
Most of Westa's current debt was accumulated in 2007-2009 during construction of the second stage of its battery facility (Westa-Industrial), which increased production capacity 2.5x in early 2010. The company continued to accumulate leverage in late 2009-2010 as it invested heavily in working capital to facilitate sales expansion, mostly by granting flexible payment conditions to battery dealers.

Financial sources and key items of their use, USD mln



Source: Company data

Westa's capacity expansion, mln conv. units



Source: Company data

Now mature enough to deleverage

Capitalizing on a scale effect, Westa has matured beyond the startup stage to become a mature company, with no need for additional external financing:

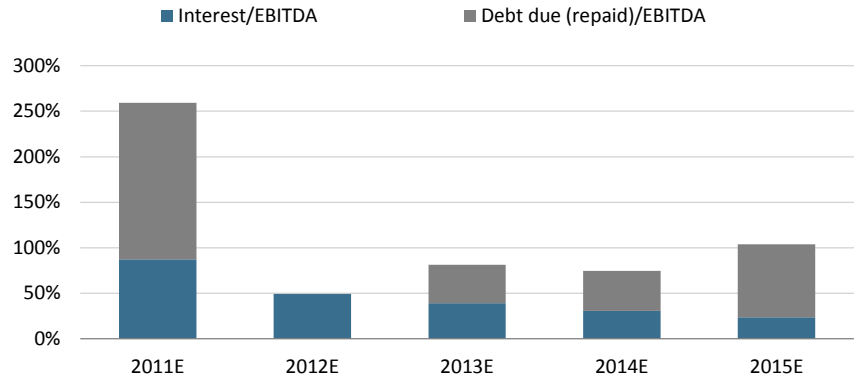
- Having loaded its capacities about 2/3 in 2011, Westa has grown enough to service and repay its debt
- Now that the company has better brand recognition among dealers, it seems to be less aggressive in sales promotion, and can decrease its cash operating cycle and free up some working capital

We expect the company to steadily increase capacity utilization and profits, which means we should see the capital structure become more balanced, with debt ratios improving.

We believe deleveraging will already be visible in 2011 financial results. In December 2011, the company reportedly decreased total debt by USD 121 mln (more than 1/3) by divesting its trading subsidiary. The effect of the transaction on net debt will be less visible, by our estimates, about USD 50 mln.

We do not expect the company will decrease leverage in 2012, and recent news that it restructured USD 43 mln in debt repayable in 2012 for a longer term supports our belief.

Debt coverage forecast



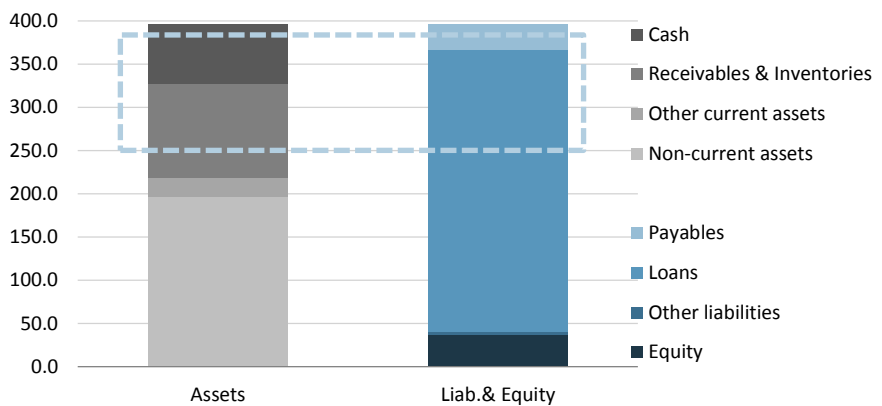
Source: Company data

End-2011 trading subsidiary divestment: fulfilling Westa's promise to deleverage

Westa announced the sale of its trading division, Techkomplekt LLC, on December 28, 2011. According to Westa, the unit had USD 140 mln in total assets and USD 121 mln in borrowings. We see the deal as a last-minute attempt by Westa to fulfill its pre-IPO promise to decrease its debt burden in 2011.

The company's total debt reportedly decreased by USD 121 mln as a result of the deal or by 35% compared to end-3Q11. The deal looks value-accretive for Westa shareholders, but we wonder who was interested in purchasing the trading house. Most likely, Westa had to throw in the vast majority of its cash (USD 68 mln as of end-3Q11) and a portion of other liquid assets (finished goods and receivables) to facilitate the deal.

Divested unit on Westa's balance sheet, 3Q11E



Note: Dashed box indicates our estimate of Techkomplekt's position on Westa's balance sheet
Source: Company data, Concorde Capital estimates

The main positive results of the transaction will be:

- A reduction interest expense pressure on the company's P&L in 2012 by about USD 14 mln - a direct effect of the deleveraging
- An estimated USD 50 mln reduction in net debt compared to 3Q11 (-19% qoq, *ceteris paribus*). Theoretically, this should be reflected in a comparable increase in Westa's capitalization
- The possible shortening of the company's cash operating cycle in the future and a related decrease in working capital needs
- The potential to improve collection of VAT reimbursement on export operations as the state's priority is to repay VAT arrears to producers rather than to traders

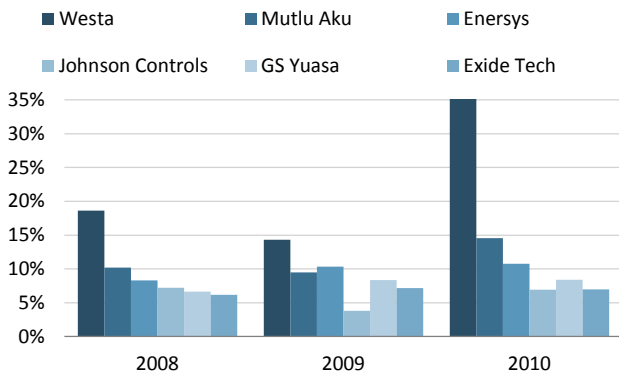
Possible negative implications of the deal are:

- A possible decrease in reported EBITDA for 4Q11 if the divested unit is not consolidated on the P&L – a one-off effect
- If the company divested finished goods together with Techkomplekt (which seems very likely), this could affect Westa's top and bottom line adversely in 1Q12, but this would also be one-off
- A slight decrease in profits partially allocated at the company's trading house as a "trader's margin." We believe, however, that this effect will be minimal and will be partially offset by a decrease in SG&A costs. All in all, to account for effect of the trading house divestment, we cut our projection of Westa's average battery price growth rate in 2012 by 1 pp.

Profitability: Westa's success

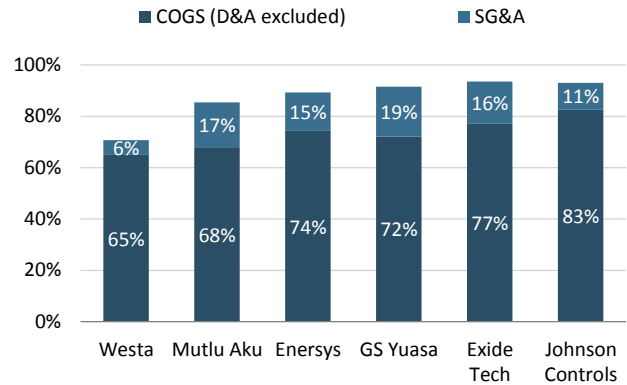
Westa's EBITDA margin has historically been far larger than those of its global peers, mainly due to smaller workforce and utility costs, as well as more moderate SG&A expenses. On top of that, according to the company, Westa uses less lead to form its battery grids than its peers, on average.

EBITDA margins of key battery makers*



* For calendar years, which do not correspond to financial years for all companies except Westa and Mutlu
 Source: Bloomberg, Company data

Common size P&L items, calendar year 2010*



* For calendar years, which do not correspond to financial years for all companies except Westa and Mutlu
 Source: Bloomberg, Company data

In addition to superior profitability, Westa has aggressively increased sales over the last couple of years, becoming one of fastest growing battery producers in the region. The company increased SLI battery output at a 23% CAGR over 2007-2011 vs. Russian producers' 3% CAGR and other Ukrainians' -5% CAGR.

It is natural however for a faster growing company to make sacrifices to deliver growth in a competitive market. In Westa's case, it conceded working capital. As a consequence of its generous payment conditions for dealers, Westa has a much longer receivables collection cycle (see the next section for more).

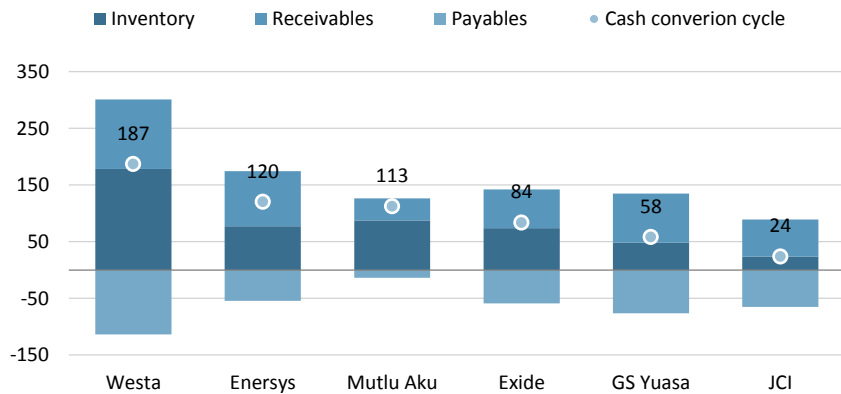
Working capital: Victim of profits, expansion

The flip side of Westa's profitability and rapid expansion is heavy investments in working capital. Due to the specifics of its cash collection policy and its focus on the seasonal aftermarket segment, Westa has the longest cash conversion cycle in the industry.

Cash operating cycle is much longer than those of its peers

The company has the largest cash conversion cycle in the industry, with all balance sheet components far above the levels of its peers.

Implied conversion period (days), based on 2010 data*



* For the trailing 12M ending December 2010 to make financials comparable to Westa
Source: Company data, Bloomberg, Concorde Capital estimates

The key reasons for Westa's large cash operating cycle are:

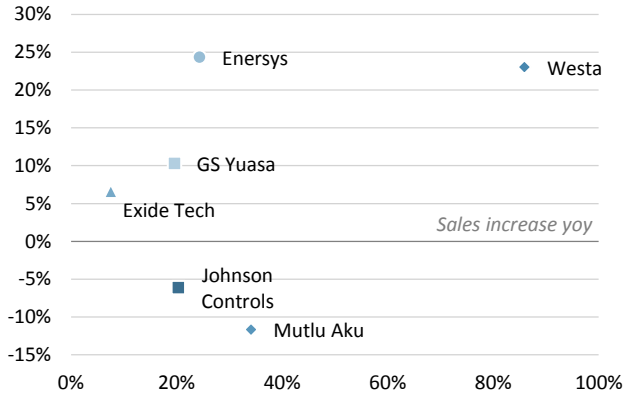
- Granting dealers generous payment conditions (in order to promote its products), which yields a long receivables cycle
- Attempts to address lead price seasonality generate large prepayments for inventories, on one side, and payables, on the other
- Working on the seasonal battery aftermarket implies the need to form a large stock of finished goods

Working capital: enough to facilitate future growth

Westa’s working capital has been relatively stable over the last couple of years, despite growing revenues, which implies the company is actively working on optimizing its cash operating cycle.

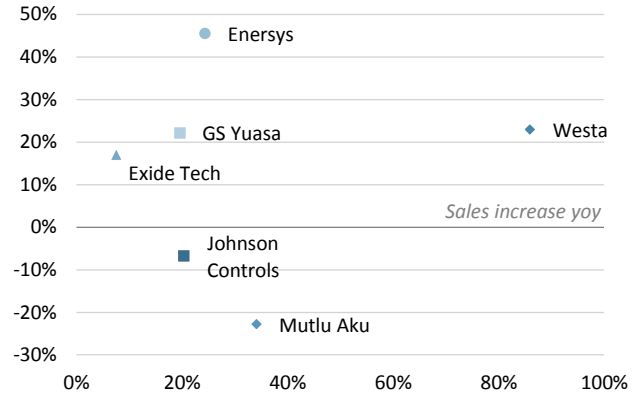
Westa managed to increase working capital in 2010 by only 23% yoy, while revenue grew 86% yoy. This is in contrast to most of its peers, who increased working capital in proportion to sales. Moreover, Westa’s high profitability allowed it to spend a comparable portion of its EBITDA on working capital as Exide and GS Yuasa did last year, while sales grew 4x faster than for its peers.

Sales vs. working capital growth for battery makers, 2010



Source: Company data, Bloomberg, Concorde Capital estimates

Sales vs. working capital growth to EBITDA ratio, 2010



Source: Company data, Bloomberg, Concorde Capital estimates

This suggests Westa accumulated excess working capital in 2009-2010. We believe the natural development would be to decrease its operating cycle and even level off its amount of working capital in the near future.

We expect a significant reduction in Westa’s receivables and inventory turnover following the divestment of Techkomplekt in late 2011, which eliminates the company’s retail trading business. We believe this will allow the holding to focus more on production and thus decrease its needs for hefty working capital.

Financial forecast summary

Revenue increases 25%, EBITDA margin declines 12 pp yoy in 2011E

We estimate Westa increased revenue by 25% yoy in 2011 to USD 193 mln, mainly by raising battery sales from 4.3 mln in 2010 to 5.1 mln conventional units (+18% yoy). We also estimate a 6% increase in its average battery price in 2011.

We estimate the company's 2011 EBITDA margin decreased to 23.7%, from a record high 35.3% a year before, for the following reasons:

- Due to volatile lead prices over the year, the company was unable to fully pass increased lead costs to final consumers, which we believe resulted in prices (+6% yoy) lagging COGS/unit growth (+14% yoy), by our estimates
- Generous government support, reflected in a USD 9.8 mln grant back in 2010, is unlikely to be that large in the future. To be conservative, we assume the company will not receive any support from the state going forward

EBITDA margin to improve in 2012 on lead price recovery, VRLA sales

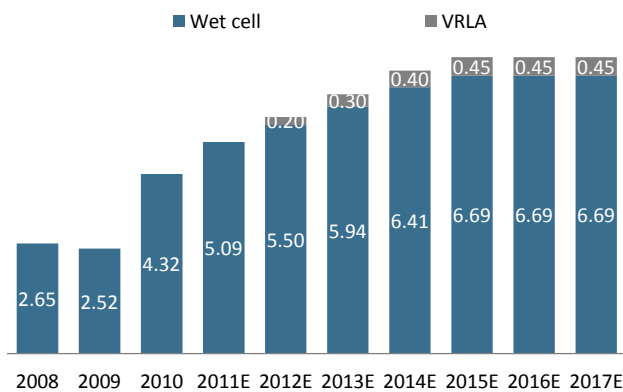
We expect steady lead prices growth over 2012, according to consensus, will allow Westa to slightly restore its profitability this year. We anticipate an increase in Westa's EBITDA margin from wet cell battery sales to 23.8% in 2012 (with 1 pp of margin modeled to be eaten away due to exclusion of its trading house from procurement/sales chain). We also expect the company to implement its VRLA battery project in line with its plan to produce 200,000 conventional units in 2012, earning an EBITDA margin of 31.0% on the project. This will drive total company's EBITDA margin to 24.2% this year, by our estimates.

Mid-term outlook: wet cell margins to decline, total margin to be fuelled by VRLA growth

We expect Westa will increase its VRLA battery output to 90% of installed capacity or 450,000 units by 2015. We also forecast Westa will increase its output of wet cell batteries by 8% annually until it reaches 88% load of installed capacity (in 2015).

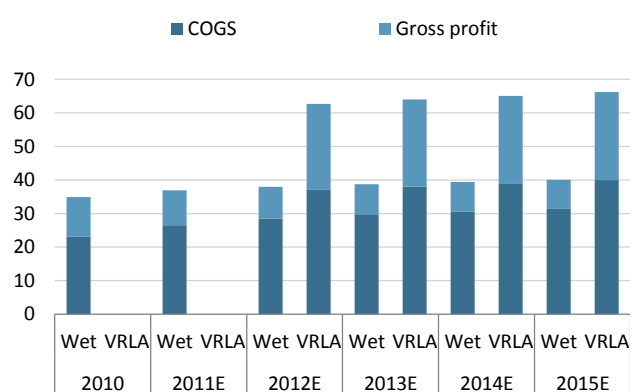
We also stress that the sensitivity of Westa's implied value to long-term capacity load assumptions (see page 41 for details) is comparable to sensitivity to the discount factor or terminal value assumptions.

Westa's battery production forecast, mln conv. units



Source: Company data, Concorde Capital estimates

Battery costs and profits, USD/conventional unit

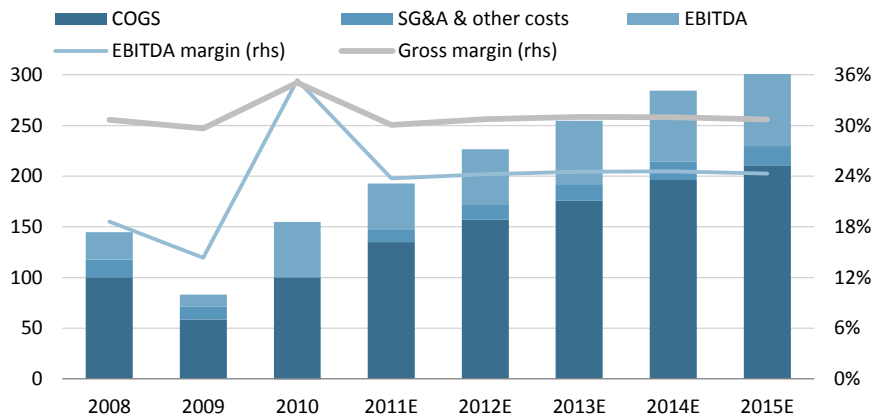


Source: Company data, Concorde Capital estimates

We expect the prices of wet cell batteries to grow at a 2.0% CAGR over the next five years, while the cost of battery production will increase at a 3.9% CAGR. In the long-term, we foresee an annual increase in both prices and costs by 1.5%.

We also expect the prices for Westa's VRLA batteries to be 65% higher than for wet cell units, while the cost of materials related to their production will be only 40% larger. The increased share of more profitable VRLA batteries in the company's sales structure over 2012-2014 should thus lead to growth in Westa's gross and EBITDA margins over the period.

Revenue and costs breakdown, USD mln



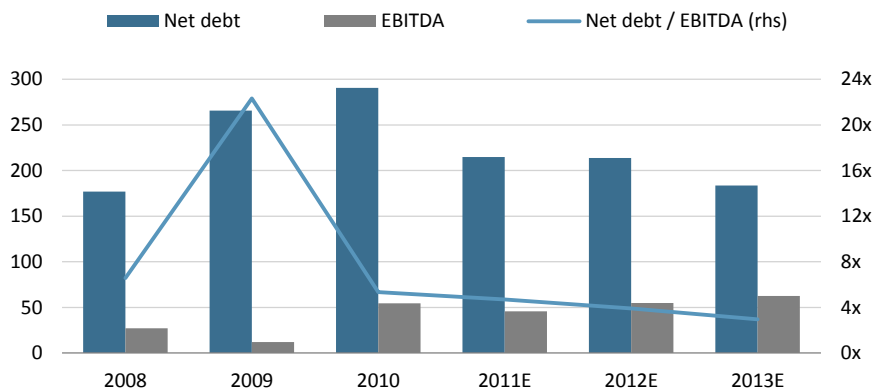
Source: Company data, Concorde Capital estimates

Key equity value driver – positive scale effect and deleveraging

Westa’s high leverage remains the main concern for equity holders, and also holds the potential key to unlock the company’s equity price growth. The company’s rapid expansion in both sales and capacity required heavy debt-financed investments in 2007-2010. The company’s Net Debt/EBITDA reached ratio 22.3x at end-2009. Thanks to increased EBITDA in 2010, the company was able to cut this ratio to 5.3x and due to a decrease in outstanding debt reduce the ratio to 4.7x in 2011E.

Westa has grown enough in size to not only to easily service its debt, but also to start gradually deleveraging. We expect the company’s net debt/EBITDA to shrink to 2.9x in 2013.

Debt and EBITDA trends



Source: Company data, Concorde Capital estimates

VALUATION

DCF

Our DCF model yields a 12M fair equity value for Westa of USD 2.70/share (PLN 8.6/share at the current exchange rate), implying 114% upside potential. Our sensitivity analysis suggests a range per share of USD 2.1-3.3, implying 69% upside in the minimum implied value band.

Key operating assumptions are discussed in the previous section, and a detailed operating model is provided in Appendix II.

Discounted cash flow model

USD mln, unless other specified

	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E
EBIT	48.9	55.5	62.6	66.3	65.6	65.3	65.1	65.4	65.9	66.7
- Tax expense	-2.2	-4.7	-6.6	-7.8	-8.4	-8.9	-9.1	-9.1	-9.2	-9.3
effective tax rate, %	10.0%	15.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
- Tax shield on interests	-2.7	-3.7	-3.4	-2.8	-2.1	-1.6	-1.3	-1.4	-1.4	-1.4
+ D&A	6.0	6.9	7.1	7.4	7.7	8.0	8.2	8.5	8.9	9.0
- CapEx	-5.7	-7.2	-7.4	-7.7	-7.7	-7.9	-8.1	-8.5	-8.8	-9.0
- Increase in working capital	-14.6	-4.5	-4.5	-2.7	-0.3	-0.4	-1.0	-1.0	-1.0	-1.0
FCFF	29.8	42.4	47.9	52.7	54.8	54.6	53.9	54.0	54.4	55.0
WACC		13.7%	14.7%	16.0%	17.0%	17.8%	17.9%	17.9%	17.9%	17.9%
Discount factor		0.90	0.78	0.68	0.58	0.49	0.42	0.35	0.30	0.25
Discounted FCFF @ Mar-07-2013		38.1	37.5	35.6	31.7	26.8	22.4	19.0	16.3	14.0
Terminal value (TV)										340.7
							Implied EBITDA multiple			4.5 x
							TV as % of EV			26.4%
Sum of discounted FCFFs		241.4								
TV @ Mar-07-2013		86.5								
Enterprise value		327.9								
Less net debt		-208.9								
Equity value		119.0								
Value per share, USD		2.70								

Terminal value assumptions:

Perpetuity growth rate	1.5%
WACC in perpetuity	17.9%

Source: Company data, Concorde Capital estimates

WACC calculation

	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E
Gov't eurobond yield	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Equity premium	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Company-specific premium	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Cost of equity	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Cost of debt (after tax)	11.7%	10.6%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
D/E	3.3	2.1	1.3	0.7	0.5	0.3	0.3	0.3	0.3	0.3
WACC	13.6%	13.7%	14.7%	16.0%	17.0%	17.8%	17.9%	17.9%	17.9%	17.9%

Source: Bloomberg, Company data, Concorde Capital estimates

Sensitivity of DCF-implied price per share on March 7, 2013, USD

		Perp. growth rate					Exit EBITDA multiple						
		0.5%	1.0%	1.5%	2.0%	2.5%	4.00 x	4.25 x	4.50 x	4.75 x	5.00 x		
	16.9%	2.68	2.75	2.82	2.90	2.99	-1.0%	2.81	2.93	3.05	3.16	3.28	
WACC	17.4%	2.62	2.69	2.76	2.83	2.91	-0.5%	2.64	2.75	2.87	2.98	3.09	
in perp.	17.9%	2.57	2.63	2.70	2.77	2.84	+/-	0.0%	2.48	2.59	2.70	2.81	2.91
	18.4%	2.51	2.57	2.64	2.71	2.78		0.5%	2.32	2.43	2.53	2.64	2.74
	18.9%	2.47	2.52	2.58	2.65	2.72		1.0%	2.17	2.27	2.37	2.47	2.57

		Wet cell capacity max. load					Wet cell capacity max. load						
		82.0%	85.0%	88.0%	91.0%	94.0%	82.0%	85.0%	88.0%	91.0%	94.0%		
	80%	2.14	2.38	2.61	2.83	3.03	16.9%	2.35	2.59	2.82	3.05	3.26	
VRLA	85%	2.18	2.43	2.65	2.87	3.07	WACC	17.4%	2.28	2.53	2.76	2.98	3.18
max.	90%	2.23	2.47	2.70	2.92	3.12	in perp.	17.9%	2.23	2.47	2.70	2.92	3.12
load	95%	2.27	2.52	2.74	2.96	3.16		18.4%	2.18	2.42	2.64	2.86	3.05
	100%	2.32	2.56	2.79	3.01	3.21		18.9%	2.13	2.37	2.58	2.80	2.99

Source: Concorde Capital estimates

Peer comparison

We benchmark Westa to global and regional leaders in battery production. To make peer multiples more comparable to Westa, we normalize peers' historical reporting period to calendar years (if their financial years differ).

Peer summary, USD mln

	MCap	Net revenue		EBITDA margin		Net margin		Net debt		
		2011E	2012E	2011E	2012E	2011E	2012E	2011E	2012E	
Johnson Controls [*]	JCI US	21,247	41,713	48,259	6.6%	8.9%	4.0%	5.2%	5,742	5,263
Mutlu Aku	MUTLU TI	155	246	271	12.2%	13.9%	3.8%	4.8%	40	35
Exide Tech [*]	XIDE US	214	3,077	3,051	6.0%	7.2%	1.5%	1.0%	674	665
Enersys [*]	ENS US	1,595	2,238	2,379	11.2%	11.5%	5.8%	6.3%	153	160
GS Yuasa [*]	6674 JP	2,197	3,523	3,935	9.2%	10.9%	3.4%	3.8%	285	316
Westa	WES PW	55	193	227	23.7%	24.2%	0.7%	8.7%	215	214

^{*} Financials adjusted to match calendar year

Source: Company data, Bloomberg, Concorde Capital estimates

Given Westa's high leverage, we believe EV/EBITDA is the most appropriate multiple for peer comparison. The implied price by this metric provides a range of USD 1.8-2.5 per share based on 2012 forecasts.

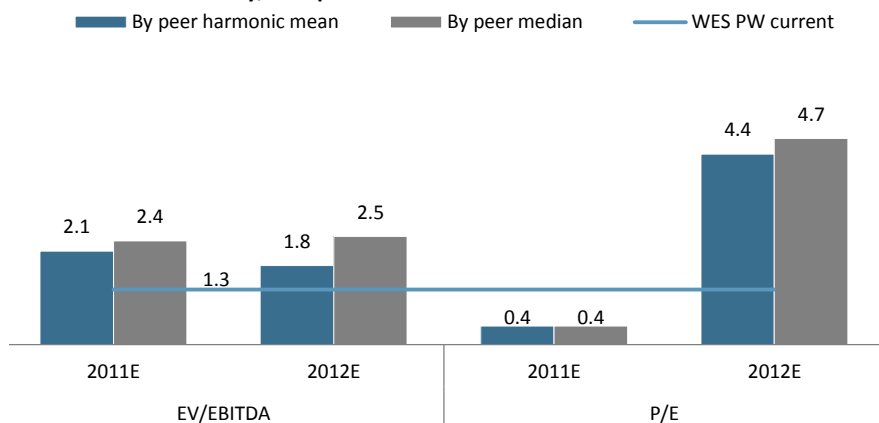
Peer valuation summary

		EV/EBITDA		P/E	
		2011E	2012E	2011E	2012E
Johnson Controls	JCI US	9.8	6.2	12.8	8.4
Mutlu Aku	MUTLU TI	6.5	5.0	16.7	11.9
Exide Tech	XIDE US	4.8	4.0	neg.	6.8
Enersys	ENS US	7.0	6.4	12.4	10.6
GS Yuasa	6674 JP	7.6	5.9	18.5	14.9
Harmonic mean		6.8	5.3	14.7	9.8
Median		7.0	5.9	14.7	10.6

Westa	WES PW	5.9	4.9	43.8	2.8
Implied upside by harm. mean		70%	44%	-66%	246%
Implied upside by median		89%	97%	-66%	275%

Source: Bloomberg, Company data, Concorde Capital

Peer valuation summary, USD per share



Source: Bloomberg, Company data, Concorde Capital estimates

APPENDICES

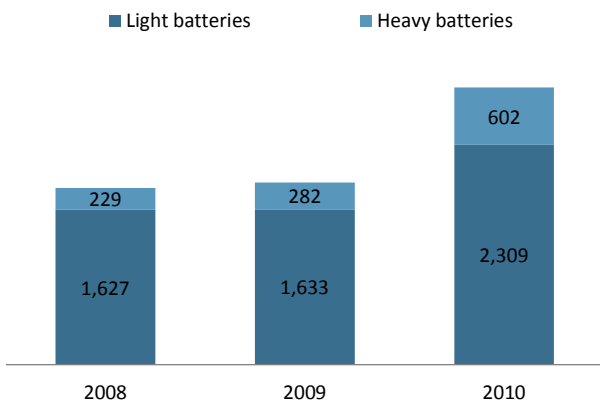
I. Defining a “conventional” battery

A conventional battery is defined as a battery with a capacity of 60 Ah - the most widespread product broadly used in passenger cars.

Battery costs and prices are usually determined by their capacity (lead content). Westa’s batteries have a large size/capacity range: from 44 to 225 Ah. If a company produces different sized batteries at different periods of time, reporting in physical units becomes inconsistent. When planning and reporting, Westa uses the notion of a “conventional” battery rather than a physical battery.

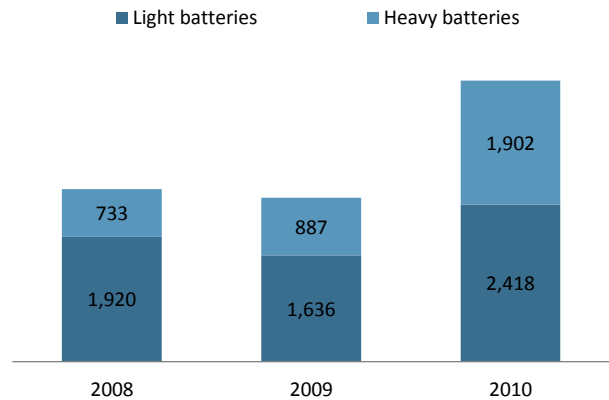
For instance, while Westa’s output in 2009 in physical units increased 3% yoy, in conventional units there was a 5% decline yoy. The key reason for the decline in 2009 output was a reduction in the average capacity of batteries in the light segment (capacity of 44 to 100 Ah).

Westa’s battery output in physical units, ths*



*Light batteries: 44 to 100 Ah, heavy batteries: 100 – 225 Ah
Source: Company data

Westa’s battery output in conventional units, ths*



*Light batteries: 44 to 100 Ah, heavy batteries: 100 – 225 Ah
Source: Company data

II. Westa operating model

	2008	2009	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E
Prod. capacity, mln conv. batteries:														
Wet cell	3.0	3.0	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6
VRLA	-	-	-	-	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Capacity utilization:														
Wet cell	88%	84%	57%	67%	72%	78%	84%	88%	88%	88%	88%	88%	88%	88%
VRLA	-	-	-	-	40%	60%	80%	90%	90%	90%	90%	90%	90%	90%
Battery sales, mln conv. units:														
Wet cell	2.65	2.52	4.32	5.09	5.50	5.94	6.41	6.69	6.69	6.69	6.69	6.69	6.69	6.69
VRLA	0.00	0.00	0.00	0.00	0.20	0.30	0.40	0.45	0.45	0.45	0.45	0.45	0.45	0.45
Average price of conv. battery, USD, including:														
Wet cell	54.1	32.7	34.9	36.9	39.8	40.8	41.7	42.5	43.2	44.0	44.7	45.4	46.1	46.8
VRLA	-	-	-	-	62.7	64.0	65.1	66.2	67.3	68.4	69.5	70.6	71.8	72.8
Average COGS, USD/conv. battery, including:														
Lead costs (wet cell and VRLA)	18.9	15.2	16.3	19.0	19.3	19.7	20.1	20.5	20.9	21.3	21.7	22.1	22.5	22.8
Direct labour costs (wet cell)	2.8	2.0	1.5	1.5	1.6	1.6	1.6	1.6	1.7	1.8	1.9	1.9	2.0	2.0
Direct labour costs (VRLA)	-	-	-	-	2.0	2.1	2.3	2.4	2.5	2.6	2.7	2.8	2.9	2.9
Other COGS (wet cell)	16.1	5.9	5.4	6.0	6.2	6.3	6.4	6.6	6.7	6.9	7.1	7.2	7.3	7.4
Other COGS (VRLA)	-	-	-	-	15.9	16.3	16.7	17.1	17.5	17.9	18.2	18.6	18.9	19.2
Net revenue, USD mln	144.6	83.0	154.3	192.8	226.6	254.5	284.1	303.3	308.5	313.8	318.8	323.9	329.1	334.1
Wet cell battery	143.6	82.4	151.0	187.8	208.9	230.2	252.8	268.2	272.7	277.4	281.8	286.3	290.9	295.3
VRLA battery	-	-	-	-	12.5	19.2	26.0	29.8	30.3	30.8	31.3	31.8	32.3	32.8
Other sales	1.0	0.6	3.3	5.0	5.1	5.2	5.3	5.4	5.5	5.6	5.7	5.8	6.0	6.1
COGS, USD mln	-100.3	-58.4	-100.2	-134.8	-156.9	-175.6	-196.1	-210.2	-215.0	-219.7	-224.1	-228.2	-232.1	-235.7
SG&A costs, USD mln:	-10.6	-8.5	-8.8	-12.3	-14.8	-16.5	-18.2	-19.5	-20.2	-20.8	-21.4	-21.8	-22.3	-22.7
Wet cell	-10.6	-8.5	-8.8	-12.3	-13.6	-14.8	-16.1	-17.1	-17.8	-18.3	-18.8	-19.2	-19.7	-20.0
VRLA	-	-	-	-	-1.2	-1.7	-2.1	-2.4	-2.5	-2.5	-2.5	-2.6	-2.6	-2.7
Other oper. Income/expense, USD mln	-6.8	-4.2	9.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA, USD mln	26.9	11.9	54.5	45.7	54.9	62.4	69.8	73.7	73.3	73.3	73.3	73.9	74.8	75.7
EBITDA margin, including:	18.6%	14.3%	35.3%	23.7%	24.2%	24.5%	24.6%	24.3%	23.8%	23.4%	23.0%	22.8%	22.7%	22.7%
Wet cell batteries	18.6%	14.3%	35.3%	23.7%	23.8%	23.9%	23.8%	23.5%	23.0%	22.5%	22.2%	22.0%	21.9%	21.8%
VRLA batteries	-	-	-	-	31.0%	31.8%	31.8%	31.5%	31.1%	30.7%	30.5%	30.3%	30.2%	30.2%

Source: Company data, Concorde Capital estimates

III. Financials

Income statement, USD mln

	2009	2010	2011E	2012E	2013E	2014E	2015E	2016E
Net revenue	83.0	154.3	192.8	226.6	254.5	284.1	303.3	308.5
Gross profit	24.6	54.1	58.0	69.7	78.9	88.0	93.2	93.5
Gross margin	29.6%	35.0%	30.1%	30.8%	31.0%	31.0%	30.7%	30.3%
EBITDA	11.9	54.5	45.7	54.9	62.4	69.8	73.7	73.3
EBITDA margin	14.3%	35.3%	23.7%	24.2%	24.5%	24.6%	24.3%	23.8%
D&A	-4.5	-4.4	-5.0	-6.0	-6.9	-7.1	-7.4	-7.7
EBIT	7.4	50.1	40.7	48.9	55.5	62.6	66.3	65.6
EBIT margin	8.9%	32.5%	21.1%	21.6%	21.8%	22.0%	21.8%	21.3%
Financial expenses	-26.9	-33.1	-39.9	-27.0	-24.5	-21.4	-17.5	-13.2
Non-operating income/costs	-2.8	5.1	0.5	0.0	0.0	0.0	0.0	0.0
PBT	-22.2	22.2	1.3	21.9	31.1	41.2	48.7	52.5
Tax expense	-1.1	11.8	0.0	-2.2	-4.7	-6.6	-7.8	-8.4
Net income	-20.2	33.7	1.3	19.7	26.4	34.6	40.9	44.1
Net margin	-24.3%	21.9%	0.7%	8.7%	10.4%	12.2%	13.5%	14.3%

Balance sheet, USD mln

	2009	2010	2011E	2012E	2013E	2014E	2015E	2016E
Non-current assets	163.9	194.2	219.0	223.2	215.0	213.7	213.1	212.2
Net PP&E	124.8	179.7	185.5	210.2	209.9	209.4	208.8	207.9
Other	39.1	14.5	33.5	13.1	5.1	4.4	4.3	4.4
Current assets	107.0	142.4	83.5	106.2	114.7	124.2	129.8	130.4
Cash & equivalents	3.2	10.6	7.7	9.1	10.2	11.4	12.1	12.3
Receivables & prepayments	64.6	80.0	45.4	57.4	60.4	64.8	67.1	66.5
Inventories	14.1	19.0	16.1	20.1	23.3	25.9	27.6	28.2
Other	25.1	32.8	14.3	19.6	20.8	22.1	23.0	23.3
Total assets	270.9	336.6	302.5	329.4	329.7	337.9	343.0	342.6
Shareholder equity	-35.0	1.2	48.3	67.9	94.4	129.0	169.9	200.7
Non-current liabilities	174.1	152.0	97.4	62.4	27.5	27.5	27.5	27.5
LT interest bearing debt	162.8	152.0	97.4	62.4	27.5	27.5	27.5	27.5
Other	11.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current liabilities	131.7	183.4	156.9	199.1	207.8	181.5	145.6	114.4
ST loans	19.8	42.3	64.8	125.5	131.5	136.2	98.1	66.9
Current portion of LT debt	86.2	106.9	60.3	35.0	34.9	0.0	0.0	0.0
Trade payables & prepayments	24.3	32.1	29.7	36.1	38.6	42.2	44.1	44.1
Other	1.4	2.1	2.1	2.5	2.8	3.1	3.3	3.4
Total liabilities & equity	270.9	336.6	302.5	329.4	329.7	337.9	343.0	342.6

Financial ratios

	2009	2010	2011E	2012E	2013E	2014E	2015E	2016E
Profitability								
ROE	96%	-200%	5%	34%	33%	31%	27%	24%
ROA	-8%	11%	0%	6%	8%	10%	12%	13%
ROIC	-11%	8%	0%	8%	11%	14%	17%	18%
Liquidity								
Current ratio	81%	78%	53%	53%	55%	68%	89%	114%
Quick ratio	51%	49%	34%	33%	34%	42%	54%	69%
Cash ratio	2%	6%	5%	5%	5%	6%	8%	11%
Solvency								
LT debt/Equity	-4.7	122.7	2.0	0.9	0.3	0.2	0.2	0.1
Net debt/Equity	-7.6	234.5	4.4	3.1	1.9	1.2	0.7	0.4
Financial leverage	-7.7	271.7	6.3	4.8	3.5	2.6	2.0	1.7
Interest coverage	0.3	1.5	1.0	1.8	2.3	2.9	3.8	5.0
Per share, USD								
BPS	-0.79	0.03	1.09	1.54	2.14	2.92	3.85	4.55
EPS	-0.46	0.76	0.03	0.45	0.60	0.78	0.93	1.00
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.30

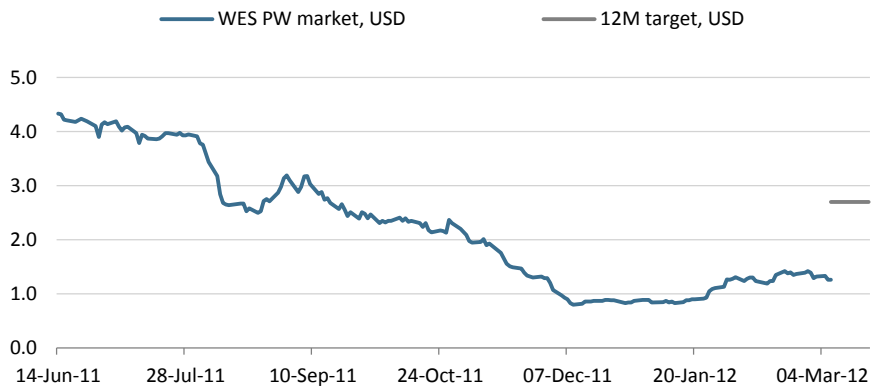
Source: Company data, Concorde Capital estimates

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Date	12M target price, USD	Market price, USD	Rating	Action
07 March 2012	2.70	1.26	BUY	Initiate

Westa ISIC: Target price vs. share performance, USD per share



Source: Bloomberg, Concorde Capital

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