

Financial analysis of BRICs listed companies

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Moscow, April 23, 2010

Scope

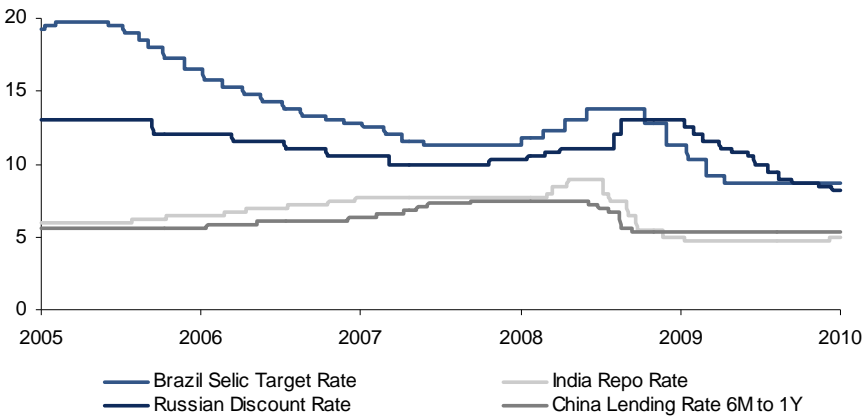
Listed companies excluding financial companies (bank, insurance, real-estate)

	N u m b e r o f c o m p a n i e s	% o f m a r k e t c a p i t a l i s a t i o n
B r a z i l	1 8 2	9 7 %
R u s s i a	9 5	9 7 %
I n d i a	1 1 3 7	9 4 %
C h i n a	1 1 9 1	7 2 %

2009 figures, except for Russian companies which are the slowest to publish their accounts.

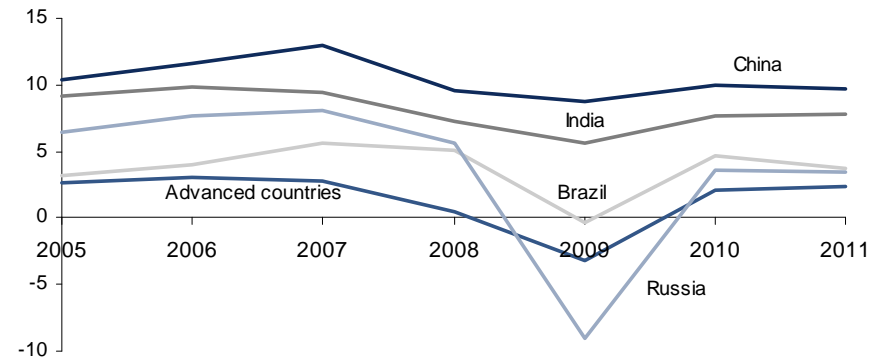
Macroeconomics

Interest rates (in %)



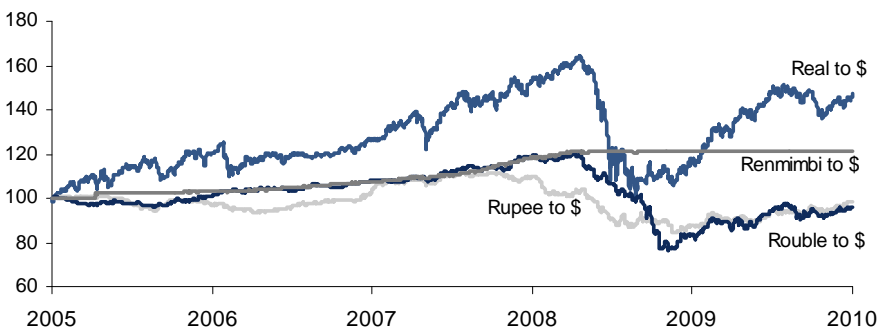
Source : Datastream

Growth in GDP (in %)



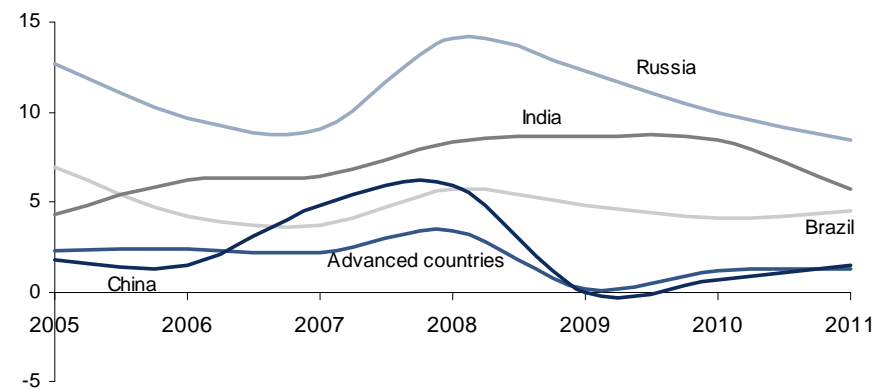
Source : FMI

Currencies



Source : Datastream

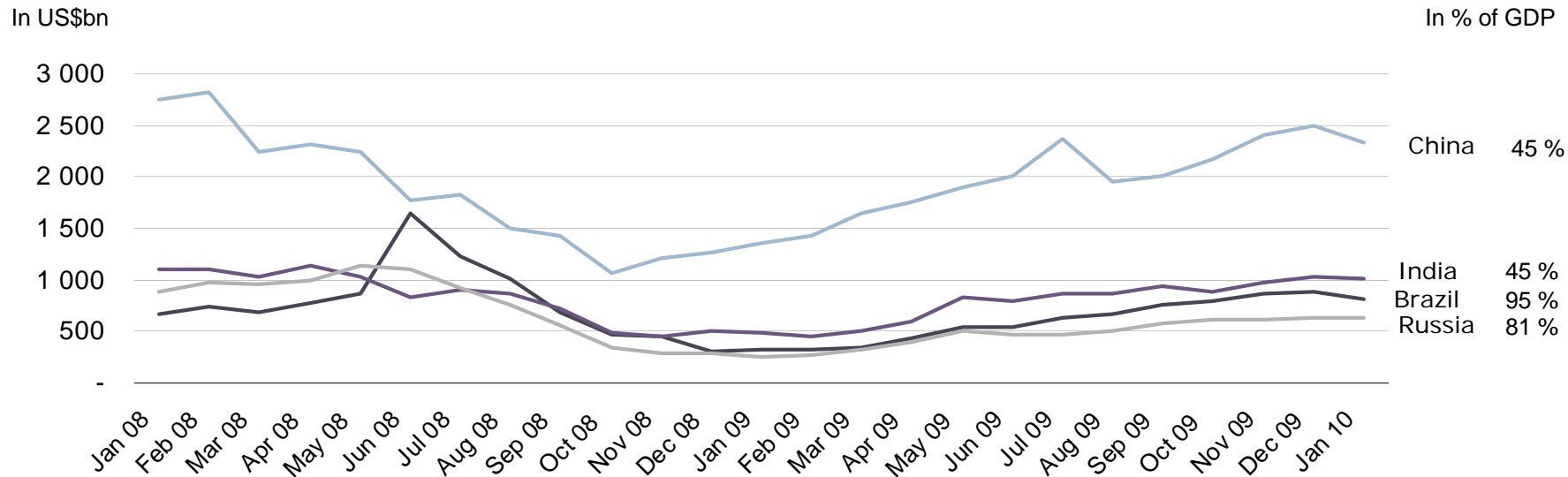
Inflation rates (in %)



Source : FMI

Market capitalisations

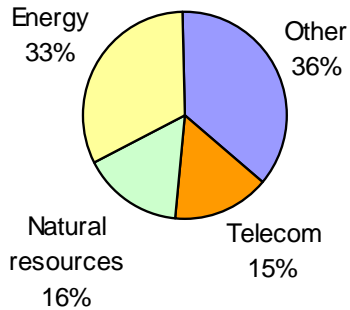
A large part of the economy is listed in Brazil and in Russia compared to India and China



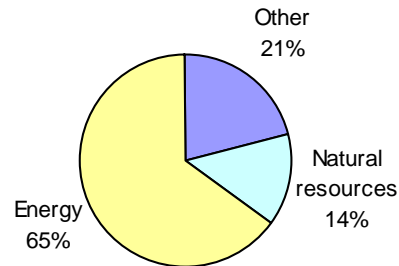
Activity

Strongly orientated towards energy and naturel resources, especially in Russia. Brazilian and Indian economies are more diversified.

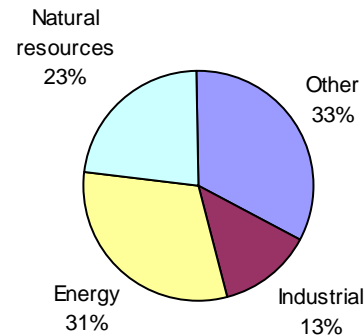
Brazil



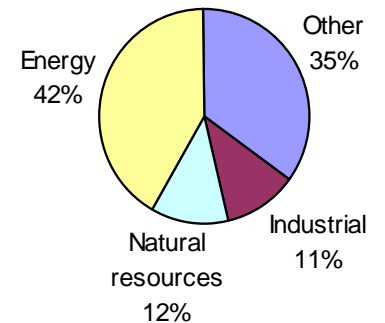
Russia



India



China



Growth

Around 10 % growth in volume per year since 2006 except for Brazil.

R a t e s	N o m i n a l g r o w t h	R e a l g r o w t h	A v e r a g e i n f l a t i o n
B r a z i l	9 %	3 %	4 %
R u s s i a	2 8 %	1 1 %	1 1 %
I n d i a	2 6 %	1 6 %	7 %
C h i n a	1 3 %	9 %	3 %

Margins

- At very high levels in Russia (low competition, energy is a capital intensive sector with high margins)
- Slight decrease due to the crisis but nothing alarming
- India and China versus Brazil and Russia

	2006		2009	
	$\frac{\text{E B I T A}}{\text{S a l e s}}$	$\frac{\text{E B I T}}{\text{S a l e s}}$	$\frac{\text{E B I T A}}{\text{S a l e s}}$	$\frac{\text{E B I T}}{\text{S a l e s}}$
B r a z i l	2 9 %	2 1 %	2 5 %	1 6 %
R u s s i a	3 5 %	2 9 %	3 0 %	2 4 %
I n d i a	1 6 %	1 2 %	1 4 %	1 1 %
C h i n a	1 9 %	1 3 %	1 6 %	9 %

Capital expenditures

Huge investment effort but for Brazil where real growth is the weakest.

2 0 0 9	<u>C a p e x</u> d e p r e c i a t i o n	<u>C a p e x</u> s a l e s	<u>C a p e x</u> t a n g i b l e a s s e t s
B r a z i l	1 1 4 %	9 %	1 1 %
R u s s i a	3 4 2 %	2 0 %	2 4 %
I n d i a	4 0 8 %	1 4 %	2 8 %
C h i n a	2 0 8 %	1 3 %	1 8 %

Working capital

One cannot do everything at the same time! BRICs companies still have to learn a lot to reduce working capital, especially in Russia and India.

In days of sale	Working capital	Inventories	Receivables	Payables	As % of capital employed
Brazil	44 d	36 d	46 d	38 d	10%
Russia	57 d	28 d	56 d	27 d	14%
India	55 d	47 d	54 d	45 d	21%
China	39 d	51 d	34 d	46 d	13%

Financing

A low level of debt too much biased toward short term maturities in China and Russia: result of poor protection of lenders?

2009	<u>Net financial debt</u> EBITDA	<u>Net financial debt</u> Equity	<u>Short term debt</u> Gross financial debt
Brazil	1.5	45 %	21 %
Russia	0.8	28 %	41 %
India	1.7	49 %	28 %
China	1.1	26 %	57 %

Dividend policy

A dividend policy strongly related to growth opportunities.

	Pay-out rate	Real growth rate (since 2006)
Brazil	49%	3%
Russia	19%	11%
India	20%	16%
China	30%	9%

Returns

Chinese companies continue to destroy value, Russian ones are creating value.

2009	Return on equity	Return on capital employed	Weighted average cost of capital
Brazil	15%	12%	12%
Russia	18%	22%	11%
India	15%	14%	13%
China	11%	9%	11%

Valuation

2009	Price Book Ratio	Price Earnings Ratio
Brazil	4	30
Russia	1.5	14
India	1.6	12.4
China	3	26

Conclusions

Brazil has less and less the characteristics of an emerging country and more and more those of a mature country:

- lower growth
- higher pay ratio
- positive free cash flow
- except for valuation metrics : high P/E ratio and PBR

Russia Low valuation multiples despite high value creations potentially due to:

- high risks
- poor corporate governance
- declining margins (one day or another competition will increase)

India Growth with mounting debt

China Growth without enough profitability. A lot of short-term debt. Negative free cash flow. A recipe for disillusionment.