

**M+S Hydraulic (5MH BU)
Share Data**

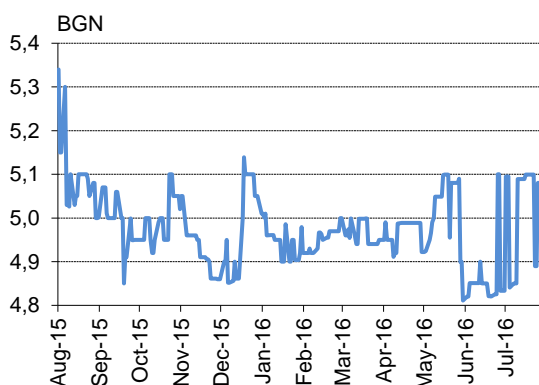
Price	5,08
52 weeks Price Change	-4,15%
52 weeks Price Range	4,811 - 5,34
Market Cap (BGN)	198 338 440
Market Cap (EUR)	101 514 198
Shares outstanding	39 043 000
DPS	0,22
Dividend yield	4,33%
EPS	0,28
Sales per share	2,25
Book value per share	1,65
FCF per share	0,17
P/E	18,29
P/S	2,26
P/B	3,08
EV/Sales	2,05
EV/EBITDA	9,48
ROA	12,87%
ROE	17,05%
Current Ratio	2,45
Total Debt Ratio	0,001
Interest Coverage	n.a.
Assets Turnover	1,04

Source: Company data, Sofia International Securities Equity Research

Shareholder Structure

Stara Planina Holding	30,92%
M+S 97	24,10%
Industrial Capital Holding	22,39%
Free Float	22,59%

Source: Company data, Sofia International Securities Equity Research

Share Price of M+S Hydraulic (5MH BU)


Source: Bloomberg, Sofia International Securities Equity Research

M + S Hydraulic puts bad 2015 behind as half-year profit surges by nearly 17%

M + S Hydraulic reported net revenues in the amount of BGN 48.73m for the first half of 2016, up by 2.95% on annual basis. The increase is due to surge in sales on Bulgarian market, which went up by 14%. However, domestic sales (BGN 7.38m) account for just 15% of company's total sales. On the other hand, export rose by only 1.6% YoY to BGN 41.18m. Overall, revenues in the second quarter of 2016 were in line with the management's expectations for the period with deviation being just under BGN 0.25m.

Total operating expenses (excl. change in inventories and book value of assets sold) rose by 1.47% on annual basis to BGN 40.5m. Expenses for materials went up by 1.87% to BGN 22.29m and personnel expenses added 2.93% over the past year to BGN 10.84m.

As a result, operating profit grew by 16.80% YoY to BGN 8.43m, which translates into EBIT margin of 17.3%.

Net financial expenses slightly increased but the amount remains too low to have significant influence on the bottom line. The company reported net profit in the amount of BGN 7.54m, which marks an increase of 16.82% on annual basis.

Compared to the end of 2015, total assets rose by 12.3% reaching BGN 84.9m. This growth is driven by a notable increase in current assets (up by 30.5% YTD) as trade receivables added BGN 6.6m over the first six months of the year and the company's cash position increased to BGN 18.2m.

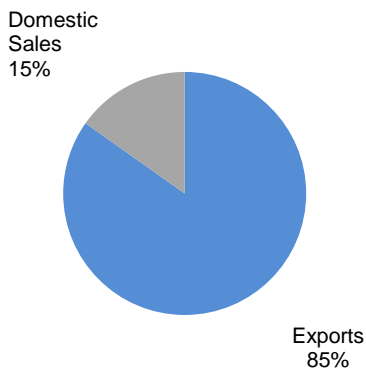
On the liabilities side, trade receivables also increased significantly from BGN 6.5m at the end of 2015 to BGN 16.6m as of 30 June 2016.

M + S Hydraulic declared gross dividend for 2015 in the amount of BGN 0.22 per share. This corresponds to a payout ratio of 88%.

Selected Financials	2014	2015	2015	2016
BGN '000	FY	FY	1H	1H
Sales	89 725,0	86 433,0	47 331,0	48 725,0
Sales YoY	5,20%	-3,67%	-2,54%	2,95%
EBIT	12 609,0	10 916,0	7 219,0	8 432,0
EBIT Margin	14,05%	12,63%	15,25%	17,31%
Net Income	11 405,0	9 756,0	6 457,0	7 543,0
Net Margin	12,71%	11,29%	13,64%	15,48%
PP&E	31 448,0	33 560,0	36 118,0	31 329,0
Trade Receivables	15 241,0	12 207,0	16 873,0	18 830,0
Inventories	10 121,0	9 759,0	9 452,0	9 417,0
Total assets	77 248,0	75 604,0	83 547,0	84 903,0
Equity	65 838,0	66 153,0	62 849,0	64 347,0
Non-Current Debt	520,0	0,0	166,0	110,0
Current Debt	337,0	166,0	168,0	12,0
Trade Payables	6 982,0	6 441,0	16 094,0	16 610,0

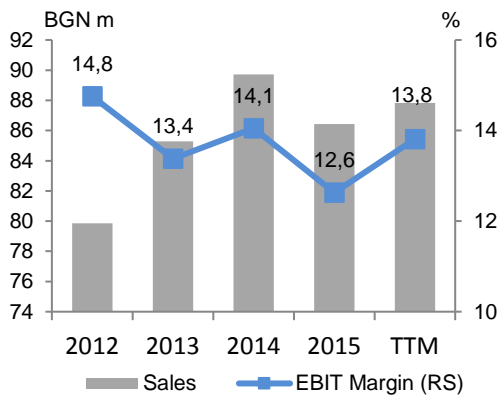
Source: Company data, Sofia International Securities Equity Research

Sales by segments in Q2 2016



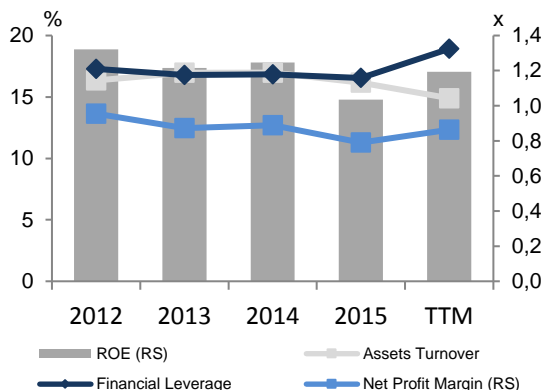
Source: Company data, Sofia International Securities Equity Research

Sales vs. EBIT Margin



Source: Company data, Sofia International Securities Equity Research

ROE (DuPont Decomposition)



Source: Company data, Sofia International Securities Equity Research

Income statement BGN '000	2014 FY	2015 FY	2015 1H	2016 1H
Sales	89 725,0	86 433,0	47 331,0	48 725,0
Operating costs	-70 346,0	-68 716,0	-36 721,0	-37 048,0
EBITDA	19 477,0	17 719,0	10 610,0	11 899,0
Depreciation	-6 868,0	-6 803,0	-3 391,0	-3 467,0
EBIT	12 609,0	10 916,0	7 219,0	8 432,0
Net financial result	77,0	-83,0	-45,0	-51,0
t/o interest expense	-39,0	-13,0	-10,0	-2,0
EBT	12 686,0	10 833,0	7 174,0	8 381,0
Taxes	-1 281,0	-1 077,0	-717,0	-838,0
Net Income	11 405,0	9 756,0	6 457,0	7 543,0
Minorities	0,0	0,0	0,0	0,0
Net Income after minorities	11 405,0	9 756,0	6 457,0	7 543,0

Balance sheet

PP&E	31 448,0	33 560,0	36 118,0	31 329,0
Intangibles	67,0	109,0	65,0	134,0
Other Non-Current Assets	3 796,0	4 207,0	3 913,0	4 207,0
Non-Current Assets	35 311,0	37 876,0	40 096,0	35 670,0
Inventories	10 121,0	9 759,0	9 452,0	9 417,0
Trade Receivables	15 241,0	12 207,0	16 873,0	18 830,0
Cash & Cash Equivalents	14 038,0	13 656,0	14 278,0	18 216,0
Other Current Assets	2 537,0	2 106,0	2 848,0	2 770,0
Current Assets	41 937,0	37 728,0	43 451,0	49 233,0
Total Assets	77 248,0	75 604,0	83 547,0	84 903,0
Equity	65 838,0	66 153,0	62 849,0	64 347,0
Non-Current Debt	520,0	0,0	166,0	110,0
Other Non-Current Liabilities	348,0	322,0	348,0	322,0
Non-Current Liabilities	868,0	322,0	514,0	432,0
Trade Payables	6 982,0	6 441,0	16 094,0	16 610,0
Current Debt	337,0	166,0	168,0	12,0
Other Current Liabilities	3 223,0	2 522,0	3 922,0	3 502,0
Current Liabilities	10 542,0	9 129,0	20 184,0	20 124,0
Total Equity and Liabilities	77 248,0	75 604,0	83 547,0	84 903,0

Cash Flow Statement

Cashflow from Operations	18 493,0	17 563,0	9 356,0	7 107,0
Cashflow from Investments	-8 280,0	-8 668,0	-7 007,0	-2 317,0
t/o Capex	-11 134,0	-10 367,0	-6 890,0	-2 317,0
Cashflow from Financing	-7 484,0	-9 277,0	-2 109,0	-230,0
Net Cash	2 729,0	-382,0	240,0	4 560,0

Source: Company data, Sofia International Securities Equity Research

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