

**Neochim (3NB BU)
Share Data**

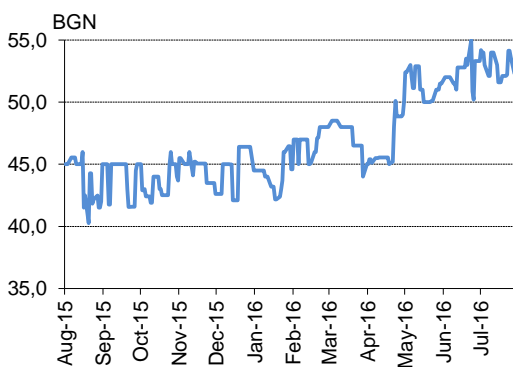
Price	52,33
52 weeks Price Change	16,29%
52 weeks Price Range	40,26 - 55
Market Cap (BGN)	138 902 554
Market Cap (EUR)	71 093 538
Number of shares	2 654 358
DPS	0,80
Dividend yield	1,53%
EPS	7,87
Sales per share	99,49
Book value per share	38,95
FCF per share	6,05
P/E	6,65
P/S	0,53
P/B	1,34
EV/Sales	0,57
EV/EBITDA	4,44
ROA	13,90%
ROE	22,03%
Current Ratio	1,87
Total Debt Ratio	0,13
Interest Coverage	46,67
Assets Turnover	1,76

Source: Company data, Sofia International Securities Equity Research

Shareholder Structure

Eco Tech AD	24,28%
Euro Fert AD	24,03%
Feboran AD	20,30%
Agrofer International AD	7,68%
Other	23,71%

Source: Company data, Sofia International Securities Equity Research

Share Price of Neochim (3NB BU)


Source: Bloomberg, Sofia International Securities Equity Research

Neochim's net profit doubled in H1 despite the drop in revenues

Neochim's revenues for the first half of 2016 fell by 12.53% on annual basis to BGN 147.12m due to drop in both domestic and export revenues. Sales of ammonium nitrate – the largest revenue contributor giving 84.5% of the company's total sales, shrank by 14.37% to BGN 124.37m. Revenues generated from sales of ammonia were also down, albeit not that pronouncedly, by 2% YoY to BGN 17.86m.

Bulgaria remains the major market for Neochim products as domestic sales account for 63% of total sales. In the first six months of 2016 revenue generated on the local market fell by 2.3% YoY to BGN 92.9m, pushed down by shrinking sales of ammonium nitrate. More notably, exports shrank by 25.85% to BGN 54.18m as European sales decreased by 9.8% on annual basis to BGN 47.3m and revenue sourced from Asia and Africa was reduced almost by half – down from BGN 12.83m reported in H1 2015 to BGN 6.86m in 2016.

Amid falling revenues, Neochim managed to curb its operating expenses, which were cut by 22.45% to BGN 124.1m (incl. depreciation). As sales dropped, expenses for materials decreased by 28.6% YoY to BGN 94.94m driven down by fall in consumption of natural gas, which is the main material used in production. External services expenses also went down by 15.45% to BGN 8.7m., while personnel expenses jumped by 16.1% on annual basis to BGN 12.76m.

As cost reduction outstripped decline in revenues, the company reported increasing operating profit in the amount of BGN 29.77m., up from BGN 15.35m reported a year ago.

With shrinking interest expenses, Neochim's net profit marked a 2-fold increase to BGN 29.14m boosting profit margin to 19.8%.

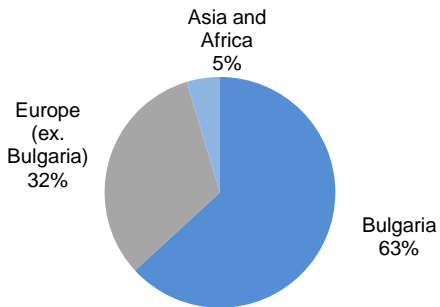
Balance sheet remains strong with total assets growing by 12.9m YTD to BGN 145.43m as inventories rose by 25% to BGN 32.8m and cash holdings increased to BGN 7.7m from just BGN 0.56m reported at the end of 2015. Meanwhile, total liabilities fell to BGN 42.06m on reduction in account payables and bank financing liabilities. As a result, total debt-to-equity ratio fell to 0,19.

A gross dividend for 2015 in the amount of BGN 0,80 per share will be distributed according to the decision made at the Annual Shareholders Meeting held on 14.06.2016.

Selected Financials	2014	2015	2015	2016
BGN '000	FY	FY	1H	1H
Sales	233 698,0	285 123,0	168 209,0	147 120,0
Sales YoY	-4,62%	22,00%	20,44%	-12,54%
EBIT	-23 990,0	7 998,0	15 354,0	29 773,0
EBIT Margin	-10,3%	2,8%	9,1%	20,2%
Net Income	-24 375,0	6 002,0	14 240,0	29 135,0
Net Margin	-10,4%	2,1%	8,5%	19,8%
PP&E	104 799,0	98 999,0	100 526,0	96 545,0
Trade Receivables	1 034,0	1 513,0	1 009,0	1 668,0
Inventories	31 997,0	26 216,0	34 274,0	32 791,0
Total assets	158 245,0	132 517,0	155 229,0	145 427,0
Equity	72 082,0	76 304,0	86 322,0	103 371,0
Non-Current Debt	18 020,0	13 553,0	18 895,0	14 603,0
Current Debt	22 548,0	12 160,0	26 854,0	4 562,0
Trade Payables	16 046,0	11 150,0	9 978,0	3 518,0

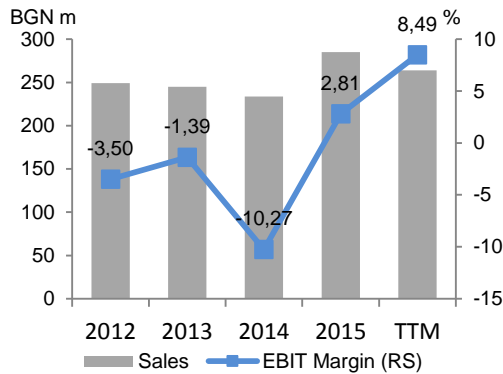
Source: Company data, Sofia International Securities Equity Research

Sales breakdown for Q2 2016



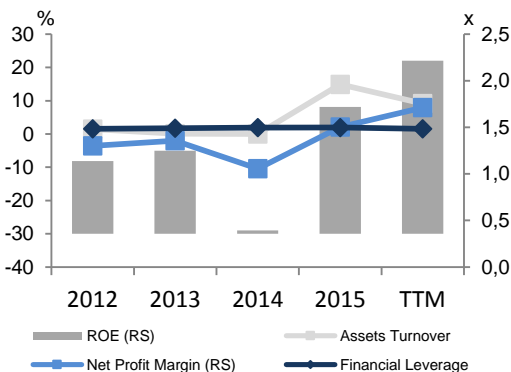
Source: Company data, Sofia International Securities Equity Research

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	2014	2015	2015	2016
BGN '000	FY	FY	1H	1H
Sales	233 698,0	285 123,0	168 209,0	147 120,0
Operating costs	-256 626,0	-267 842,0	-154 483,0	-118 168,0
EBITDA	-13 234,0	19 078,0	20 911,0	35 715,0
Depreciation	-10 756,0	-11 080,0	-5 557,0	-5 942,0
EBIT	-23 990,0	7 998,0	15 354,0	29 773,0
Net financial result	-1 735,0	-1 996,0	-1 114,0	-638,0
t/o interest expense	-2 301,0	-2 012,0	-1 114,0	-638,0
EBT	-25 725,0	6 002,0	14 240,0	29 135,0
Taxes	1 350,0	0,0	0,0	0,0
Net Income	-24 375,0	6 002,0	14 240,0	29 135,0
Minorities	0,0	0,0	0,0	0,0
Net Income after minorities	-24 375,0	6 002,0	14 240,0	29 135,0

Balance sheet

PP&E	104 799,0	98 999,0	100 526,0	96 545,0
Intangibles	325,0	190,0	298,0	259,0
Other Non-Current Assets	3 398,0	689,0	3 398,0	689,0
Non-Current Assets	108 522,0	99 878,0	104 222,0	97 493,0
Inventories	31 997,0	26 216,0	34 274,0	32 791,0
Trade Receivables	1 034,0	1 513,0	1 009,0	1 668,0
Cash & Cash Equivalents	360,0	560,0	399,0	7 715,0
Other Current Assets	16 332,0	4 350,0	15 325,0	5 760,0
Current Assets	49 723,0	32 639,0	51 007,0	47 934,0
Total Assets	158 245,0	132 517,0	155 229,0	145 427,0
Equity	72 082,0	76 304,0	86 322,0	103 371,0
Non-Current Debt	18 020,0	13 553,0	18 895,0	14 603,0
Other Non-Current Liabilities	1 761,0	2 024,0	1 761,0	1 800,0
Non-Current Liabilities	19 781,0	15 577,0	20 656,0	16 403,0
Trade Payables	16 046,0	11 150,0	9 978,0	3 518,0
Current Debt	22 548,0	12 160,0	26 854,0	4 562,0
Other Current Liabilities	27 788,0	17 326,0	11 419,0	17 573,0
Current Liabilities	66 382,0	40 636,0	48 251,0	25 653,0
Total Equity and Liabilities	158 245,0	132 517,0	155 229,0	145 427,0

Cash Flow Statement

Cashflow from Operations	2 029,0	21 875,0	-3 448,0	17 515,0
Cashflow from Investments	-4 806,0	-5 767,0	-1 141,0	-3 031,0
t/o Capex	-5 303,0	-4 385,0	-1 141,0	-3 031,0
Cashflow from Financing	2 848,0	-15 910,0	4 628,0	-7 329,0
Net Cash	71,0	198,0	39,0	7 155,0

Source: Company data, Sofia International Securities Equity Research

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