

**Sopharma (3JR BU)**
**Share Data**

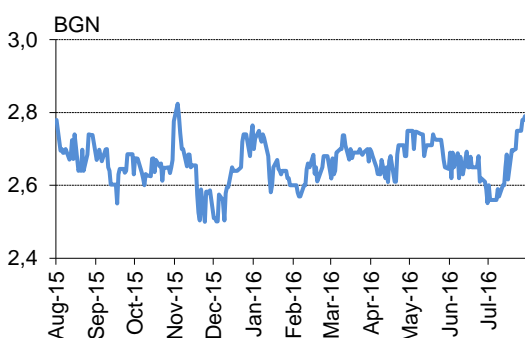
Price	2,79
52 weeks Price Change	2,95%
52 weeks Price Range	2,5 - 2,824
Market Cap (BGN)	376 086 138
Market Cap (EUR)	192 289 789
Shares outstanding	134 797 899
DPS	0,07
Dividend yield	2,51%
EPS	0,25
Sales per share	1,22
Book value per share	3,39
FCF per share	0,31
P/E	11,32
P/S	2,28
P/B	0,82
EV/Sales	2,80
EV/EBITDA	11,61
ROA	5,66%
ROE	7,48%
Current Ratio	2,23
Total Debt Ratio	0,15
Interest Coverage	12,47
Assets Turnover	0,28

Source: Company data, Sofia International Securities Equity Research

**Shareholder Structure**

Donev Investments Holding	24,73%
Telekomplekt Invest	20,07%
Rompharm Company	18,04%
Treasury stocks	3,87%
Free Float	33,29%

Source: Company data, Sofia International Securities Equity Research

**Share Price of Sopharma (3JR BU)**


Source: Bloomberg, Sofia International Securities Equity Research

**Sopharma reports strong profit growth in Q2 despite weak revenues**

Sopharma could not maintain the positive momentum from the previous quarter and its total revenues in H1 2016 fell by 10.30% on annual basis to BGN 78.9m. Over the first six months of the year domestic sales fell by 3.36% YoY to BGN 32.7m, while export plunged even more, down by 14.65% to BGN 46.2m due to decreasing sales on some major markets.

Revenues from the European markets plunged by 17.06% to ca. BGN 37m as sales in Russia, Poland and Serbia decreased. Nevertheless, sales in Belarus, Ukraine, Lithuania, Croatia and Bosnia and Herzegovina marked an increase. Revenues from other markets, which comprise of the countries in Central Asia and Caucasus region fell more modestly by 3.43% YoY to BGN 9.26m.

With regard to the various product segments, a decrease in sales was reported in each one of them. Sales of tablets (BGN 52.85m), which account for 67% of Sopharma's total sales fell by 8.18%, and the results of the second-largest revenue contributor – ampoules, decreased by 13%.

Total operating expenses (excl. change in inventories) went down by 11.91% YoY to BGN 71.01m. Expenses for materials were cut by 3.3% to BGN 29.75m, while more notable decrease occurred with respect to external services expenses – 32% on annual basis to BGN 14.86m. With expenses falling more than revenues, operating profit rose to BGN 14.3m or by 3.58% YoY. EBIT margin also improved on annual basis from 15.7% to 18.1%.

Sopharma reported net profit from dealing with securities in the amount of BGN 12.73m, which along with higher income from equity participations and lower interest expenses pushed net financial income up to BGN 20.9m. As a result, the company reported a 30% increase in net income to BGN 33.76m.

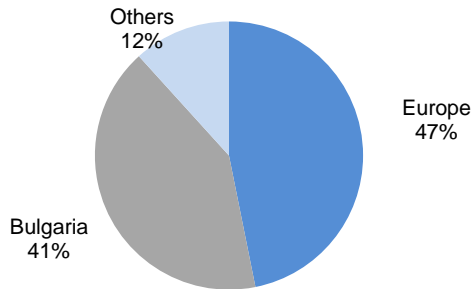
The company's total assets grew by 1.95% YTD to BGN 581.75m. Most notably, receivables from related parties added BGN 18.15m YTD to reach BGN 96.19m. Total liabilities decreased to 125.4m as bank liabilities fell by 16.8% since the beginning of the year to BGN 89.19m.

Sopharma will distribute gross dividend for 2015 in the amount of BGN 0,07 per share.

<b>Selected Financials</b>	<b>2014</b>	<b>2015</b>	<b>2015</b>	<b>2016</b>
BGN '000	FY	FY	1H	1H
Sales	201 461,0	173 803,0	87 999,0	78 930,0
Sales YoY	-6,75%	-13,73%	-16,18%	-10,31%
EBIT	24 661,0	25 137,0	13 814,0	14 310,0
EBIT Margin	12,24%	14,46%	15,70%	18,13%
Net Income	27 291,0	25 354,0	25 883,0	33 758,0
Net Margin	13,55%	14,59%	29,41%	42,77%
PP&E	211 056,0	211 943,0	211 606,0	209 665,0
Trade Receivables	23 397,0	21 466,0	27 339,0	16 232,0
Inventories	57 360,0	61 701,0	61 816,0	62 978,0
Total assets	571 917,0	570 609,0	592 217,0	581 751,0
Equity	406 524,0	431 626,0	432 516,0	456 343,0
Non-Current Debt	38 006,0	30 822,0	34 397,0	27 436,0
Current Debt	98 192,0	76 341,0	97 988,0	61 749,0
Trade Payables	7 909,0	8 014,0	6 131,0	3 607,0

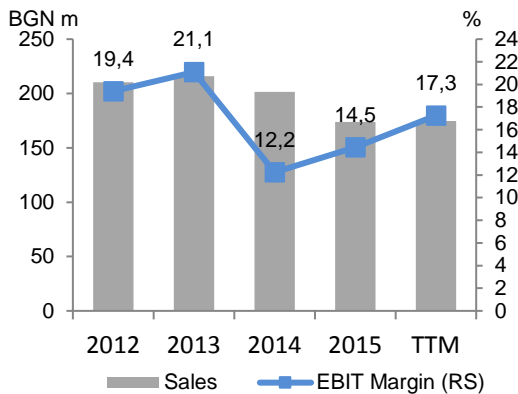
Source: Company data, Sofia International Securities Equity Research

## Sales by segments in Q2'2016



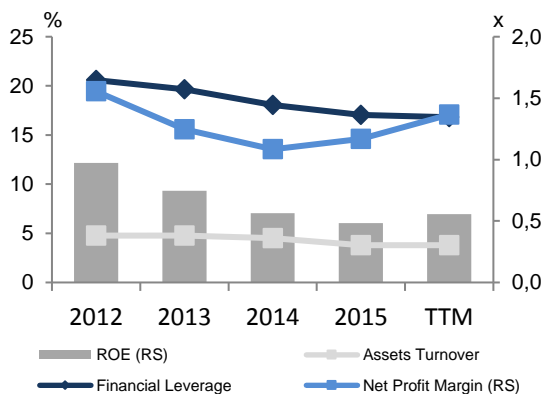
Source: Company data, Sofia International Securities Equity Research

## 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	2014	2015	2015	2016
BGN '000	FY	FY	1H	1H
<b>Sales</b>	<b>201 461,0</b>	<b>173 803,0</b>	<b>87 999,0</b>	<b>78 930,0</b>
Operating costs	-177 823,0	-144 435,0	-73 330,0	-64 002,0
<b>EBITDA</b>	<b>41 650,0</b>	<b>39 686,0</b>	<b>21 353,0</b>	<b>21 318,0</b>
Depreciation	-16 989,0	-14 549,0	-7 539,0	-7 008,0
<b>EBIT</b>	<b>24 661,0</b>	<b>25 137,0</b>	<b>13 814,0</b>	<b>14 310,0</b>
Net financial result	8 311,0	11 610,0	13 650,0	20 923,0
t/o interest expense	-4 344,0	-3 510,0	-1 787,0	-1 148,0
<b>EBT</b>	<b>29 720,0</b>	<b>28 180,0</b>	<b>27 464,0</b>	<b>35 233,0</b>
Taxes	-2 429,0	-2 826,0	-1 581,0	-1 475,0
<b>Net Income</b>	<b>27 291,0</b>	<b>25 354,0</b>	<b>25 883,0</b>	<b>33 758,0</b>
Minorities	0,0	0,0	0,0	0,0
<b>Net Income after minorities</b>	<b>27 291,0</b>	<b>25 354,0</b>	<b>25 883,0</b>	<b>33 758,0</b>

## Balance sheet

PP&E	211 056,0	211 943,0	211 606,0	209 665,0
Intangibles	3 210,0	2 507,0	2 912,0	2 362,0
Other Non-Current Assets	161 412,0	184 331,0	184 256,0	182 178,0
<b>Non-Current Assets</b>	<b>375 678,0</b>	<b>398 781,0</b>	<b>398 774,0</b>	<b>394 205,0</b>
Inventories	57 360,0	61 701,0	61 816,0	62 978,0
Trade Receivables	23 397,0	21 466,0	27 339,0	16 232,0
Cash & Cash Equivalents	4 076,0	3 745,0	3 343,0	4 741,0
Other Current Assets	111 406,0	84 916,0	100 945,0	103 595,0
<b>Current Assets</b>	<b>196 239,0</b>	<b>171 828,0</b>	<b>193 443,0</b>	<b>187 546,0</b>
<b>Total Assets</b>	<b>571 917,0</b>	<b>570 609,0</b>	<b>592 217,0</b>	<b>581 751,0</b>
<b>Equity</b>	<b>406 524,0</b>	<b>431 626,0</b>	<b>432 516,0</b>	<b>456 343,0</b>
Non-Current Debt	38 006,0	30 822,0	34 397,0	27 436,0
Other Non-Current Liabilities	10 479,0	13 494,0	10 466,0	13 990,0
<b>Non-Current Liabilities</b>	<b>48 485,0</b>	<b>44 316,0</b>	<b>44 863,0</b>	<b>41 426,0</b>
Trade Payables	7 909,0	8 014,0	6 131,0	3 607,0
Current Debt	98 192,0	76 341,0	97 988,0	61 749,0
Other Current Liabilities	10 807,0	10 312,0	10 719,0	18 626,0
<b>Current Liabilities</b>	<b>116 908,0</b>	<b>94 667,0</b>	<b>114 838,0</b>	<b>83 982,0</b>
<b>Total Equity and Liabilities</b>	<b>571 917,0</b>	<b>570 609,0</b>	<b>592 217,0</b>	<b>581 751,0</b>

## Cash Flow Statement

Cashflow from Operations	31 533,0	28 398,0	6 756,0	10 798,0
Cashflow from Investments	-12 018,0	-410,0	-3 061,0	8 499,0
Cashflow from Investr	-12 018,0	-410,0	-3 061,0	8 499,0
Cashflow from Financing	-24 730,0	-27 721,0	-4 479,0	-18 301,0
<b>Net Cash</b>	<b>-5 215,0</b>	<b>267,0</b>	<b>-784,0</b>	<b>996,0</b>

Source: Company data, Sofia International Securities Equity Research

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