

Sopharma (3JR BU)
Share Data

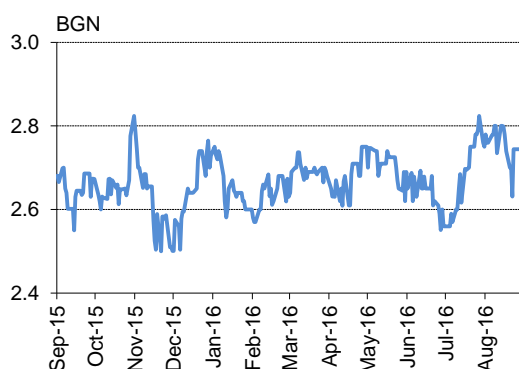
Price	2.74
52 weeks Price Change	2.39%
52 weeks Price Range	2.5 - 2.824
Market Cap (BGN)	369 885 712
Market Cap (EUR)	189 119 562
Shares outstanding	134 798 000
DPS	0.07
Dividend yield	2.55%
EPS	0.15
Sales per share	6.38
Book value per share	3.14
FCF per share	0.46
P/E	17.86
P/S	0.43
P/B	0.87
EV/Sales	0.71
EV/EBITDA	10.56
ROA	2.43%
ROE	4.48%
Current Ratio	1.41
Total Debt Ratio	0.28
Interest Coverage	4.32
Assets Turnover	1.02

Source: Company data, Sofia International Securities Equity Research

Shareholder Structure

Donev Investments Holding	24.73%
Telecompect Invest	20.07%
Rompharm Company	18.04%
Treasury shares	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

Profit hurt by falling revenues in Q2 2016

Consolidated net revenues of Sopharma fell by 3.4% YoY to BGN 423.7m in the first six months of 2016. Distribution segment, which now accounts for almost three quarters of the group's total revenues grew by 3.88% to BGN 315.25m, while Production segment continued facing difficulties and fell by nearly 20% to BGN 108.48m.

With respect to product segments, the trends observable since the beginning of the year persisted. Tablets, which generate over 50% of the group's total sales continued the slump going down by 8.5% YoY to BGN 212.3m. The other major revenue driver – the ampules segment, performed better and grew by 5.18% to BGN 107.68m.

Bulgaria remains the largest market for the group as it accounts for 73% of total sales (unchanged from previous quarter). According to the company's statement, domestic sales grew by 2% on annual basis. Sales in other European countries, however, fell by 17% in the first half of 2016.

Total operating costs (excl. change in inventories) decreased slightly by 0.64% YoY to BGN 411m. External services expenses went down by 8.9% to BGN 28.26m, while expenses for materials and personnel expenses grew by 1.4% and 7.3% respectively.

With fall in revenues outpacing that of expenses, operating profit sank by 20% to BGN 22.08m. EBIT margin also contracted from 6.3% in H1 2015 to 5.2% in the current period.

As the group reported profit from disposal of subsidiaries in the amount of BGN 11.97m, this somehow softened the impact of the weaker operating performance and Sopharma reported net profit of BGN 26.25m for the period, down by 7.6% from last year's reading.

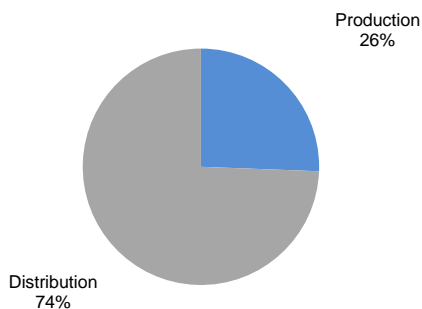
Total assets fell by 10.38m YTD (1.24%) to BGN 825.25m, mainly on drop in long-term assets. Property, plant and equipment decreased by 2.73% YTD to BGN 306.4m, whereas long-term receivables from related parties were cut almost by half to BGN 11.09m. Cash position of the Group increased to BGN 27.1m or 3.28% of total assets.

As of 30 June, Sopharma's total liabilities amounted to BGN 368.88m. Total bank loan liabilities fell by 13.65% YTD to BGN 211m, whereas the company also reported factoring liabilities in the amount of BGN 18.23m.

Selected Financials	2014	2015	2015	2016
BGN '000	FY	FY	1H	1H
Revenues	840 517.0	874 984.0	438 809.0	423 732.0
Revenues YoY	10.20%	4.10%	5.78%	-3.44%
EBIT	39 530.0	36 440.0	27 581.0	22 075.0
EBIT Margin	4.70%	4.16%	6.29%	5.21%
Net Income	20 178.0	21 314.0	26 904.0	26 304.0
Net Margin	2.87%	2.58%	6.47%	6.20%
PP&E	299 037.0	315 005.0	297 890.0	306 401.0
Trade Receivables	196 330.0	205 589.0	246 475.0	212 245.0
Inventories	155 910.0	163 129.0	150 544.0	163 496.0
Total assets	817 363.0	835 627.0	858 394.0	825 246.0
Equity	431 637.0	457 640.0	457 216.0	456 369.0
Non-Current Debt	47 923.0	40 833.0	43 501.0	32 532.0
Current Debt	228 132.0	205 569.0	227 927.0	198 543.0
Trade Payables	71 752.0	87 440.0	81 112.0	80 816.0

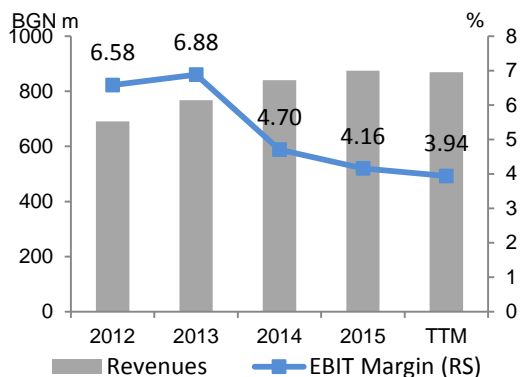
Source: Company data, Sofia International Securities Equity Research

Sales by segments in Q2'16



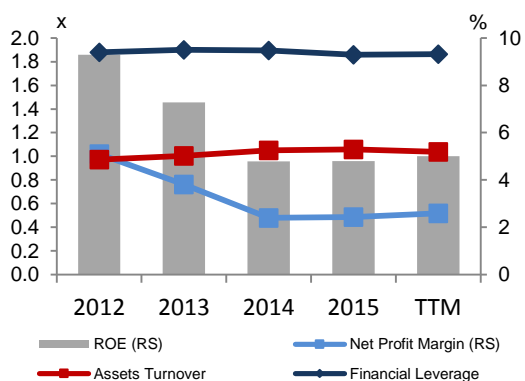
Source: Company data, Sofia International Securities Equity Research

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
Revenues	840 517.0	874 984.0	438 809.0	423 732.0
Expenses	-790 929.0	-813 747.0	-400 418.0	-397 531.0
EBITDA	67 332.0	62 766.0	40 798.0	35 542.0
Depreciation	-27 802.0	-26 326.0	-13 217.0	-13 467.0
EBIT	39 530.0	36 440.0	27 581.0	22 075.0
Net financial result	-12 202.0	-14 812.0	3 259.0	-3 814.0
t/o interest expense	-17 594.0	-9 277.0	-4 386.0	-5 109.0
EBT	29 199.0	27 575.0	31 435.0	29 123.0
Taxes	-5 082.0	-4 975.0	-3 029.0	-2 870.0
Net Income (before minority)	24 117.0	22 600.0	28 406.0	26 253.0
Minorities	3 939.0	1 286.0	1 502.0	-51.0
Net Income	20 178.0	21 314.0	26 904.0	26 304.0

Balance sheet

PP&E	299 037.0	315 005.0	297 890.0	306 401.0
Intangibles	24 188.0	35 502.0	26 896.0	35 151.0
Other Non-Current Assets	67 313.0	50 977.0	68 700.0	41 814.0
Non-Current Assets	390 538.0	401 484.0	393 486.0	383 366.0
Inventories	155 910.0	163 129.0	150 544.0	163 496.0
Trade Receivables	196 330.0	205 589.0	246 475.0	212 245.0
Cash & Cash Equivalents	26 822.0	23 486.0	21 404.0	27 103.0
Other Current Assets	47 763.0	41 939.0	46 485.0	39 036.0
Current Assets	426 825.0	434 143.0	464 908.0	441 880.0
Total Assets	817 363.0	835 627.0	858 394.0	825 246.0
Equity	431 637.0	457 640.0	457 216.0	456 369.0
Non-Current Debt	47 923.0	40 833.0	43 501.0	32 532.0
Other Non-Current Liabilities	17 107.0	21 659.0	18 061.0	22 594.0
Non-Current Liabilities	65 030.0	62 492.0	61 562.0	55 126.0
Trade Payables	71 752.0	87 440.0	81 112.0	80 816.0
Current Debt	228 132.0	205 569.0	227 927.0	198 543.0
Other Current Liabilities	20 812.0	22 486.0	30 577.0	34 392.0
Current Liabilities	320 696.0	315 495.0	339 616.0	313 751.0
Total Equity and Liabilities	817 363.0	835 627.0	858 394.0	825 246.0

Cash Flow Statement

Cashflow from Operations	37 653.0	67 310.0	18 719.0	-32 050.0
Cashflow from Investments	-27 426.0	-32 899.0	-19 872.0	2 816.0
t/o Capex	-20 636.0	-17 353.0	-9 848.0	-6 454.0
Cashflow from Financing	-11 535.0	-36 596.0	-3 874.0	32 832.0
Net Cash	-1 308.0	-2 185.0	-5 027.0	3 598.0

Source: Company data, Sofia International Securities Equity Research

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