

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

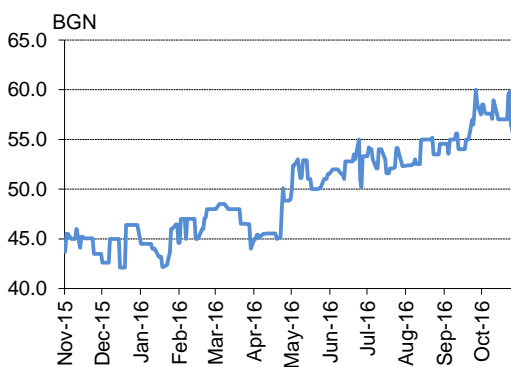
Price	54.00
52 weeks Price Change	20.00%
52 weeks Price Range	42.1 - 60
Market Cap (BGN)	143 335 332
Market Cap (EUR)	73 362 336
Number of shares	2 654 358
DPS	0.80
Dividend yield	1.48%
EPS	4.13
Sales per share	88.34
Book value per share	34.96
FCF per share	6.74
P/E	13.07
P/S	0.61
P/B	1.54
EV/Sales	0.66
EV/EBITDA	6.49
ROA	7.82%
ROE	12.29%
Current Ratio	1.48
Total Debt Ratio	0.12
Interest Coverage	21.78
Assets Turnover	1.67

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

Weak sales hurt profitability in Q3 despite the drop in operating expenses

The drop in Neochim's revenue continued in the third quarter of 2016 as company's sales fell by 22.9% YoY to BGN 170.8m on decrease in both domestic and export sales. Revenues generated on domestic market, which accounts for 62% of the top-line fell by 9.27% to BGN 106.28m, whereas export plunged more dramatically to BGN 64.54m, down by 38.13% on annual basis. Sales on other European markets fell to BGN 54.39m, down from BGN 82.64m reported a year ago. Business in Asia and Africa also shrank – by 27.06% YoY to BGN 10.16m.

With respect to the product segments, ammonium nitrate remains the largest revenue driver, generating more than 80% of company's revenues. Namely the drop in this segment explains the overall top-line results in Q3, as sales of the product went down by 8.5% in Bulgaria and by 47.1% on the export markets. Ammonia, the second-largest product segment, sold mainly in Europe, generated 19.2% less revenue than reported a year ago.

Total operating expenses (excl. changes in inventories) decreased by 27.05% to BGN 148.85m. Expenses for materials fell by 36.29% YoY to BGN 105.5m, as expenses for natural gas used in the production process sank by 40.27% to BGN 85.46m. On the other hand, personnel expenses rose by 12.4% and expenses related to the purchase of CO2 quotas pushed "Other expenses" category up to BGN 2.01m.

Operating profit was negative for the quarter but nevertheless, Neochim reported increasing operating profit on annual basis as EBIT was up by 28.27% reaching BGN 19.45m.

The company posted after-tax profit in the amount of BGN 18.56m, which marks an annual increase of 36.5%. The achieved profit margin was 10.9% compared to just 6.1% for the same period in 2015.

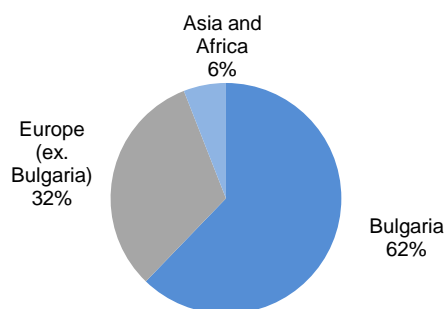
Balance sheet remains strong, with total assets reaching BGN 136.48m at end of September. Total liabilities decreased by BGN 12.5m to BGN 43.96m on lower bank obligations and trade payables as of quarter-end.

Neochim's total debt ratio remains low at 12.5%, down from 15.2% at the end of Q3 2015. ROA and ROE also improve to 7.82% and 12.29% respectively.

Selected Financials	2014	2015	2015	2016
BGN '000	FY	FY	9M	9M
Sales	233 698.0	285 123.0	221 453.0	170 817.0
Sales YoY	-4.62%	22.00%	37.91%	-22.87%
EBIT	-23 990.0	7 998.0	15 163.0	19 450.0
EBIT Margin	-10.3%	2.8%	6.8%	11.4%
Net Income	-24 375.0	6 002.0	13 594.0	18 557.0
Net Margin	-10.4%	2.1%	6.1%	10.9%
PP&E	104 799.0	98 999.0	100 318.0	95 269.0
Trade Receivables	1 034.0	1 513.0	850.0	6 586.0
Inventories	31 997.0	26 216.0	24 498.0	23 180.0
Total assets	158 245.0	132 517.0	144 006.0	136 484.0
Equity	72 082.0	76 304.0	85 676.0	92 793.0
Non-Current Debt	18 020.0	13 553.0	20 305.0	14 379.0
Current Debt	22 548.0	12 160.0	1 579.0	2 633.0
Trade Payables	16 046.0	11 150.0	8 853.0	6 407.0

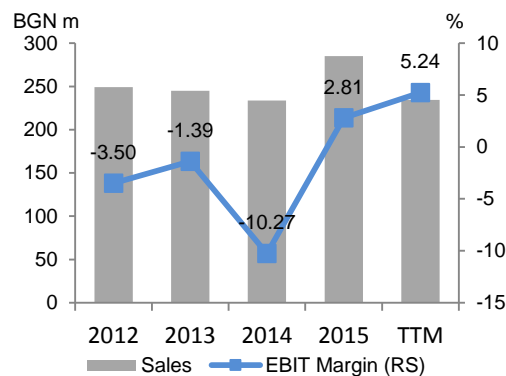
Source: Company data, Sofia International Securities Equity Research

Sales breakdown for Q3 2016



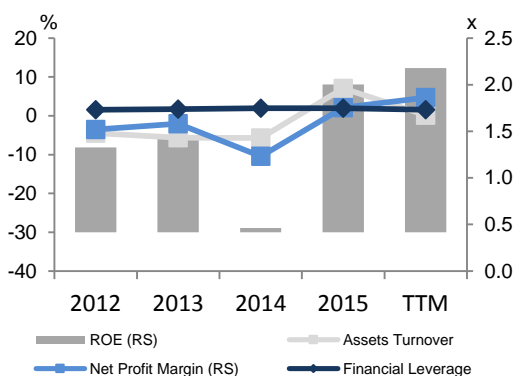
Source: Company data, Sofia International Securities Equity Research

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	9M	9M
Sales	233 698.0	285 123.0	221 453.0	170 817.0
Operating costs	-256 626.0	-267 842.0	-195 732.0	-140 096.0
EBITDA	-13 234.0	19 078.0	23 462.0	28 201.0
Depreciation	-10 756.0	-11 080.0	-8 299.0	-8 751.0
EBIT	-23 990.0	7 998.0	15 163.0	19 450.0
Net financial result	-1 735.0	-1 996.0	-1 569.0	-893.0
t/o interest expense	-2 301.0	-2 012.0	-1 585.0	-893.0
EBT	-25 725.0	6 002.0	13 594.0	18 557.0
Taxes	1 350.0	0.0	0.0	0.0
Net Income	-24 375.0	6 002.0	13 594.0	18 557.0
Minorities	0.0	0.0	0.0	0.0
Net Income after minorities	-24 375.0	6 002.0	13 594.0	18 557.0

Balance sheet

PP&E	104 799.0	98 999.0	100 318.0	95 269.0
Intangibles	325.0	190.0	291.0	261.0
Other Non-Current Assets	3 398.0	689.0	3 393.0	689.0
Non-Current Assets	108 522.0	99 878.0	104 002.0	96 219.0
Inventories	31 997.0	26 216.0	24 498.0	23 180.0
Trade Receivables	1 034.0	1 513.0	850.0	6 586.0
Cash & Cash Equivalents	360.0	560.0	2 906.0	5 706.0
Other Current Assets	16 332.0	4 350.0	11 750.0	4 793.0
Current Assets	49 723.0	32 639.0	40 004.0	40 265.0
Total Assets	158 245.0	132 517.0	144 006.0	136 484.0
Equity	72 082.0	76 304.0	85 676.0	92 793.0
Non-Current Debt	18 020.0	13 553.0	20 305.0	14 379.0
Other Non-Current Liabilities	1 761.0	2 024.0	1 761.0	2 024.0
Non-Current Liabilities	19 781.0	15 577.0	22 066.0	16 403.0
Trade Payables	16 046.0	11 150.0	8 853.0	6 407.0
Current Debt	22 548.0	12 160.0	1 579.0	2 633.0
Other Current Liabilities	27 788.0	17 326.0	25 832.0	18 248.0
Current Liabilities	66 382.0	40 636.0	36 264.0	27 288.0
Total Equity and Liabilities	158 245.0	132 517.0	144 006.0	136 484.0

Cash Flow Statement

Cashflow from Operations	2 029.0	21 875.0	25 403.0	20 270.0
Cashflow from Investments	-4 806.0	-5 767.0	-3 176.0	-3 688.0
t/o Capex	-5 303.0	-4 385.0	-3 186.0	-3 688.0
Cashflow from Financing	2 848.0	-15 910.0	-19 681.0	-11 436.0
Net Cash	71.0	198.0	2 546.0	5 146.0

Source: Company data, Sofia International Securities Equity Research

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