

Sopharma (3JR BU)
Share Data

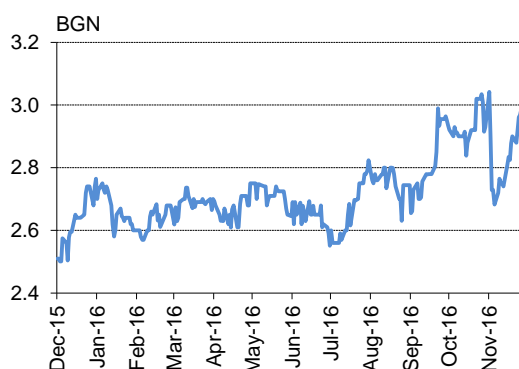
Price	2.99
52 weeks Price Change	15.94%
52 weeks Price Range	2.501 - 3.042
Market Cap (BGN)	402 911 222
Market Cap (EUR)	206 005 237
Shares outstanding	134 798 000
DPS	0.07
Dividend yield	2.34%
EPS	0.22
Sales per share	6.42
Book value per share	3.18
FCF per share	0.40
P/E	13.85
P/S	0.47
P/B	0.94
EV/Sales	0.75
EV/EBITDA	9.87
ROA	3.71%
ROE	7.16%
Current Ratio	1.41
Total Debt Ratio	0.27
Interest Coverage	4.48
Assets Turnover	1.03

Source: Company data, Sofia International Securities Equity Research

Shareholder Structure

Donev Investments Holding	24.75%
Telecompect Invest	20.15%
Rompharm Company	18.04%
Treasury shares	3.87%
Free float	33.19%

Source: Company data, Sofia International Securities Equity Research

Share Price of Sopharma (3JR BU)


Source: Bloomberg, Sofia International Securities Equity Research

Modest top-line recovery in Q3 2016 alleviates some of the pressures on operating results

Sopharma's consolidated revenues rose by 2.8% YoY in the months between June and September. On nine-month basis, the Group managed to curb the slump in sales as total revenues reached BGN 638.39m, down by 1.4% on an annual basis. Distribution segment grew by 1.13% YoY to BGN 470.5m, while Production segment fell by 7.9% to BGN 167.9m.

The largest product segment and main revenue driver - Tablets, shows weak performance year-to-date as sales fell by 3.13% YoY to BGN 325.2m. On the other hand, Ampules rose, albeit slightly, by 1.26% to BGN 158.3m.

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 1% on annual basis. Sales in other European countries, however, fell by 8% in the first nine months of 2016.

Sopharma's total operating expenses (excl. change in inventories) went down by 1.4% on annual basis to BGN 607.9m. Expenses for materials and external services expenses fell by 5.7% and 14.4% respectively, whereas personnel expenses jumped by 7.4% YoY.

As of the end of September 2016, operating profit increased by 7.6% on annual basis to BGN 31.9m. Despite the higher net financial expenses, the income arising from divestment of subsidiaries in the amount of BGN 12.87m pushed net profit up by 35.5% YoY to BGN 33.05m.

The group's total assets reached BGN 833.4m, up by 1% over last quarter's level. Non-current assets fell to BGN 384.2m, driven down by drop in property, plant and equipment and receivables from related parties, while the observed increase in current assets came mainly on higher trade receivables.

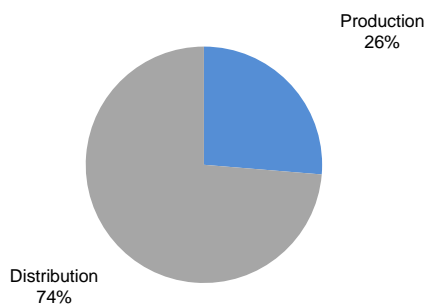
Total liabilities increased only marginally over the past quarter, rising from BGN 368.8m to BGN 370.97m. The company further cut its bank debt as bank loan liabilities decreased to BGN 207.88m, down by BGN 36.6m year-to-date.

Sopharma announced on 11 November that it has acquired 68% stake in the local pharmaceutical company Veta Pharma AD, which produces medical products, nutritional supplements and cosmetics.

Selected Financials	2014	2015	2015	2016
BGN '000	FY	FY	9M	9M
Revenues	840 517.0	874 984.0	647 601.0	638 390.0
Revenues YoY	10.20%	4.10%	4.84%	-1.42%
EBIT	39 530.0	36 440.0	29 646.0	31 896.0
EBIT Margin	4.70%	4.16%	4.58%	5.00%
Net Income	20 178.0	21 314.0	23 859.0	31 627.0
Net Margin	2.87%	2.58%	3.77%	5.18%
PP&E	299 037.0	315 005.0	294 803.0	304 586.0
Trade Receivables	196 330.0	205 589.0	232 332.0	226 692.0
Inventories	155 910.0	163 129.0	150 525.0	159 745.0
Total assets	817 363.0	835 627.0	852 060.0	833 404.0
Equity	431 637.0	457 640.0	410 257.0	462 436.0
Non-Current Debt	47 923.0	40 833.0	47 306.0	30 031.0
Current Debt	228 132.0	205 569.0	227 170.0	197 205.0
Trade Payables	71 752.0	87 440.0	82 351.0	90 508.0

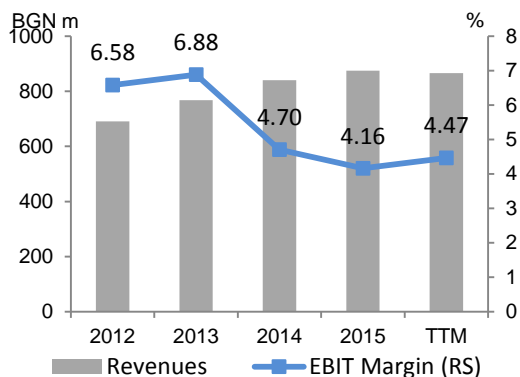
Source: Company data, Sofia International Securities Equity Research

Sales by segments in Q3'16



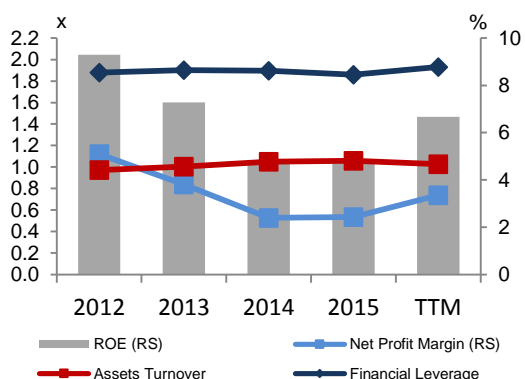
Source: Company data, Sofia International Securities Equity Research

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	9M	9M
Revenues	840 517.0	874 984.0	647 601.0	638 390.0
Expenses	-790 929.0	-813 747.0	-596 974.0	-587 765.0
EBITDA	67 332.0	62 766.0	49 249.0	52 025.0
Depreciation	-27 802.0	-26 326.0	-19 603.0	-20 129.0
EBIT	39 530.0	36 440.0	29 646.0	31 896.0
Net financial result	-12 202.0	-14 812.0	217.0	-5 293.0
t/o interest expense	-17 594.0	-9 277.0	-6 699.0	-7 122.0
EBT	29 199.0	27 575.0	30 313.0	39 102.0
Taxes	-5 082.0	-4 975.0	-5 915.0	-6 049.0
Net Income (before minority)	24 117.0	22 600.0	24 398.0	33 053.0
Minorities	3 939.0	1 286.0	539.0	1 426.0
Net Income	20 178.0	21 314.0	23 859.0	31 627.0

Balance sheet

PP&E	299 037.0	315 005.0	294 803.0	304 586.0
Intangibles	24 188.0	35 502.0	29 145.0	35 220.0
Other Non-Current Assets	67 313.0	50 977.0	75 960.0	44 355.0
Non-Current Assets	390 538.0	401 484.0	399 908.0	384 161.0
Inventories	155 910.0	163 129.0	150 525.0	159 745.0
Trade Receivables	196 330.0	205 589.0	232 332.0	226 692.0
Cash & Cash Equivalents	26 822.0	23 486.0	28 758.0	17 613.0
Other Current Assets	47 763.0	41 939.0	40 537.0	45 193.0
Current Assets	426 825.0	434 143.0	452 152.0	449 243.0
Total Assets	817 363.0	835 627.0	852 060.0	833 404.0
Equity	431 637.0	457 640.0	410 257.0	462 436.0
Non-Current Debt	47 923.0	40 833.0	47 306.0	30 031.0
Other Non-Current Liabilities	17 107.0	21 659.0	16 987.0	22 721.0
Non-Current Liabilities	65 030.0	62 492.0	64 293.0	52 752.0
Trade Payables	71 752.0	87 440.0	82 351.0	90 508.0
Current Debt	228 132.0	205 569.0	227 170.0	197 205.0
Other Current Liabilities	20 812.0	22 486.0	27 373.0	30 503.0
Current Liabilities	320 696.0	315 495.0	336 894.0	318 216.0
Total Equity and Liabilities	817 363.0	835 627.0	852 060.0	833 404.0

Cash Flow Statement

Cashflow from Operations	37 653.0	67 310.0	38 483.0	-60 411.0
Cashflow from Investments	-27 426.0	-32 899.0	-26 917.0	3 708.0
t/o Capex	-20 636.0	-17 353.0	-11 836.0	-9 559.0
Cashflow from Financing	-11 535.0	-36 596.0	-8 756.0	51 067.0
Net Cash	-1 308.0	-2 185.0	2 810.0	-5 636.0

Source: Company data, Sofia International Securities Equity Research

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