

**Trace Group (T57 BU)**
**Share Data**

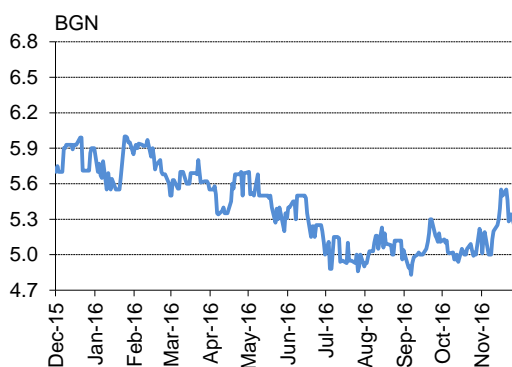
|                       |             |
|-----------------------|-------------|
| Price                 | 5.21        |
| 52 weeks Price Change | -9.39%      |
| 52 weeks Price Range  | 4.83 - 6    |
| Market Cap (BGN)      | 126 082 000 |
| Market Cap (EUR)      | 64 464 703  |
| Shares outstanding    | 24 200 000  |
| DPS                   | 0.147       |
| Dividend yield        | 2.83%       |
| EPS                   | -0.17       |
| Sales per share       | 16.45       |
| Book value per share  | 4.06        |
| FCF per share         | 0.44        |
| P/E                   | n/a         |
| P/S                   | 0.32        |
| P/B                   | 1.28        |
| EV/Sales              | 0.32        |
| EV/EBITDA             | 18.04       |
| ROA                   | -1.34%      |
| ROE                   | -3.37%      |
| Current Ratio         | 1.06        |
| Total Debt Ratio      | 0.06        |
| Interest Coverage     | n/a         |
| Assets Turnover       | 1.55        |

Source: Company data, Sofia International Securities Equity Research

**Shareholder Structure**

|                  |        |
|------------------|--------|
| Nikolay Mihaylov | 64.97% |
| Galini-N EOOD    | 9.00%  |
| Treasury shares  | 0.02%  |
| Free float       | 26.01% |

Source: Company data, Sofia International Securities Equity Research

**Share Price of Trace Group (T57 BU)**


Source: Bloomberg, Sofia International Securities Equity Research

**Third quarter of 2016 brings no relief as falling revenues still drag profitability down**

Trace Group Hold's consolidated revenues continued to plunge in the third quarter of 2016 as the Group reported top-line result in the amount of BGN 164.79m, down by 34% on annual basis. Between June and September alone, revenues have dropped by 42.8% YoY. Construction and engineering segment, which traditionally accounts for ca. 90% of all sales, fell by 32.8% to BGN 151.25 and production sales posted more than two-fold decrease to BGN 6.26m. Nevertheless, the results fell in line with management expectations for Q3, which were for revenue drop acceleration in this period.

In line with this development, operating expenses went down by 28.94% to BGN 165.4m. Expenses for materials decreased by 21.1% YoY to BGN 45.47m, while external services expenses plunged by 39.2% to BGN 87.4m as expenses related to hiring of subcontractors and machinery expectedly fell along with the slow-down of the business.

As a result, the Group posted operating loss in the amount of BGN 5.28m compared to a profit of BGN 8.89m reported a year ago. With net financial expenses up to BGN 1.68m, the net result for the first nine months of the year was a loss of BGN 6.27m.

Total assets fell by another BGN 9.2m over the past quarter to BGN 237.85m and with this the contraction of the Group's asset base reached BGN 125.15m year-to-date. Most notably, the cash position shrank to BGN 13.26m as Trace reported negative cash flows from operating activities in the amount of BGN 70.39m. Trade receivables also fell – by BGN 9.6m over the past quarter and BGN 60.9m since the beginning of the year.

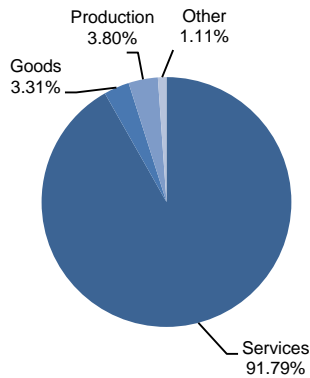
Similarly, current trade liabilities fell by BGN 6.9m between June and September to BGN 104.1m. On the other hand, total financial liabilities grew slightly, adding BGN 4.4m over the same period to BGN 14.77m.

In November Trace Group Hold signed agreement with the National Railway Infrastructure Company to rehabilitate part of the railway road between Plovdiv and Burgas. The value of the 2-year contract is BGN 63.5m (excl. VAT) and it is financed under OP "Transport and Transport Infrastructure" 2014 - 2020 of the European Union.

| <b>Selected Financials</b> | <b>2014</b> | <b>2015</b> | <b>2015</b> | <b>2016</b> |
|----------------------------|-------------|-------------|-------------|-------------|
| BGN '000                   | FY          | FY          | 9M          | 9M          |
| Sales                      | 344 512.0   | 482 911.0   | 249 540.0   | 164 791.0   |
| Sales YoY                  | 6.82%       | 40.17%      | 6.69%       | -33.96%     |
| EBIT                       | 11 603.0    | 14 249.0    | 8 892.0     | -5 280.0    |
| EBIT Margin                | 3.37%       | 2.95%       | 3.56%       | -3.20%      |
| Net Income                 | 9 211.0     | 9 673.0     | 6 847.0     | -6 267.0    |
| Net Margin                 | 2.67%       | 2.00%       | 2.74%       | -3.80%      |
| PP&E                       | 68 545.0    | 74 398.0    | 74 311.0    | 75 884.0    |
| Trade Receivables          | 96 595.0    | 167 408.0   | 147 132.0   | 106 506.0   |
| Inventories                | 8 012.0     | 9 484.0     | 10 686.0    | 10 287.0    |
| Total assets               | 236 899.0   | 362 001.0   | 277 074.0   | 237 851.0   |
| Equity                     | 102 346.0   | 108 504.0   | 105 771.0   | 98 696.0    |
| Non-Current Debt           | 1 532.0     | 2 245.0     | 1 629.0     | 3 611.0     |
| Current Debt               | 7 141.0     | 4 902.0     | 13 065.0    | 11 161.0    |
| Trade Payables             | 107 010.0   | 204 279.0   | 137 488.0   | 104 144.0   |

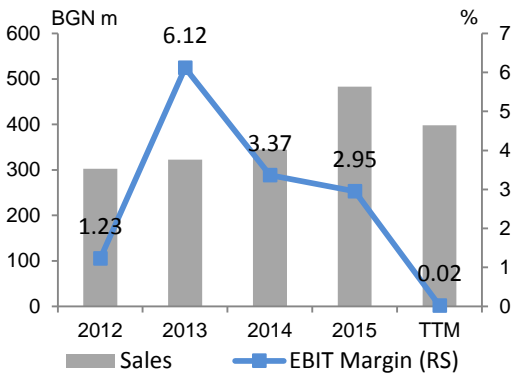
Source: Company data, Sofia International Securities Equity Research

### Sales by segments in Q3 2016



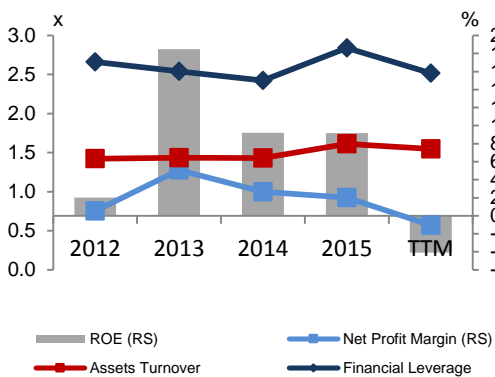
Source: Company data, Sofia International Securities Equity Research

### 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               |
| <b>Sales</b>                       | <b>344 512.0</b> | <b>482 911.0</b> | <b>249 540.0</b> | <b>164 791.0</b> |
| Operating costs                    | -307 112.0       | -447 457.0       | -227 347.0       | -159 872.0       |
| <b>EBITDA</b>                      | <b>18 685.0</b>  | <b>21 468.0</b>  | <b>14 318.0</b>  | <b>-58.0</b>     |
| Depreciation                       | -7 082.0         | -7 219.0         | -5 426.0         | -5 222.0         |
| <b>EBIT</b>                        | <b>11 603.0</b>  | <b>14 249.0</b>  | <b>8 892.0</b>   | <b>-5 280.0</b>  |
| Net financial result               | -1 216.0         | -2 407.0         | -1 216.0         | -1 681.0         |
| t/o interest expense               | -2 237.0         | -1 110.0         | -1 592.0         | -506.0           |
| <b>EBT</b>                         | <b>10 997.0</b>  | <b>12 105.0</b>  | <b>8 056.0</b>   | <b>-5 746.0</b>  |
| Taxes                              | -1 786.0         | -2 432.0         | -1 209.0         | -521.0           |
| <b>Net Income</b>                  | <b>9 211.0</b>   | <b>9 673.0</b>   | <b>6 847.0</b>   | <b>-6 267.0</b>  |
| Minorities                         | 68.0             | -10.0            | -18.0            | 711.0            |
| <b>Net Income after minorities</b> | <b>9 143.0</b>   | <b>9 683.0</b>   | <b>6 865.0</b>   | <b>-6 978.0</b>  |

### Balance sheet

|                                     |                  |                  |                  |                  |
|-------------------------------------|------------------|------------------|------------------|------------------|
| PP&E                                | 68 545.0         | 74 398.0         | 74 311.0         | 75 884.0         |
| Intangibles                         | 1 992.0          | 2 103.0          | 2 057.0          | 2 012.0          |
| Other Non-Current Assets            | 20 399.0         | 21 345.0         | 22 384.0         | 24 087.0         |
| <b>Non-Current Assets</b>           | <b>90 936.0</b>  | <b>97 846.0</b>  | <b>98 752.0</b>  | <b>101 983.0</b> |
| Inventories                         | 8 012.0          | 9 484.0          | 10 686.0         | 10 287.0         |
| Trade Receivables                   | 96 595.0         | 167 408.0        | 147 132.0        | 106 506.0        |
| Cash & Cash Equivalents             | 37 767.0         | 83 288.0         | 13 809.0         | 13 261.0         |
| Other Current Assets                | 3 589.0          | 3 975.0          | 6 695.0          | 5 814.0          |
| <b>Current Assets</b>               | <b>145 963.0</b> | <b>264 155.0</b> | <b>178 322.0</b> | <b>135 868.0</b> |
| <b>Total Assets</b>                 | <b>236 899.0</b> | <b>362 001.0</b> | <b>277 074.0</b> | <b>237 851.0</b> |
| <b>Equity</b>                       | <b>102 346.0</b> | <b>108 504.0</b> | <b>105 771.0</b> | <b>98 696.0</b>  |
| Non-Current Debt                    | 1 532.0          | 2 245.0          | 1 629.0          | 3 611.0          |
| Other Non-Current Liabilities       | 7 911.0          | 6 885.0          | 7 657.0          | 7 093.0          |
| <b>Non-Current Liabilities</b>      | <b>9 443.0</b>   | <b>9 130.0</b>   | <b>9 286.0</b>   | <b>10 704.0</b>  |
| Trade Payables                      | 107 010.0        | 204 279.0        | 137 488.0        | 104 144.0        |
| Current Debt                        | 7 141.0          | 4 902.0          | 13 065.0         | 11 161.0         |
| Other Current Liabilities           | 10 959.0         | 35 186.0         | 11 464.0         | 13 146.0         |
| <b>Current Liabilities</b>          | <b>125 110.0</b> | <b>244 367.0</b> | <b>162 017.0</b> | <b>128 451.0</b> |
| <b>Total Equity and Liabilities</b> | <b>236 899.0</b> | <b>362 001.0</b> | <b>277 074.0</b> | <b>237 851.0</b> |

### Cash Flow Statement

|                           |                 |                 |                  |                  |
|---------------------------|-----------------|-----------------|------------------|------------------|
| Cashflow from Operations  | 10 679.0        | 60 140.0        | -20 801.0        | -70 389.0        |
| Cashflow from Investments | -11 055.0       | -10 589.0       | -7 997.0         | -3 912.0         |
| t/o Capex                 | -3 355.0        | -6 201.0        | -3 882.0         | -4 061.0         |
| Cashflow from Financing   | -6 063.0        | -4 008.0        | 4 831.0          | 4 325.0          |
| <b>Net Cash</b>           | <b>-6 439.0</b> | <b>45 543.0</b> | <b>-23 967.0</b> | <b>-69 976.0</b> |

Source: Company data, Sofia International Securities Equity Research

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