

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

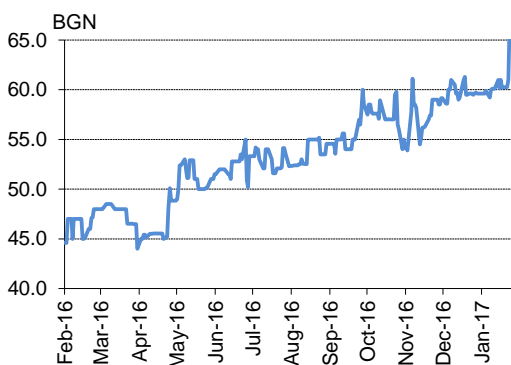
Price	73.00
52 weeks Price Change	57.16%
52 weeks Price Range	44.001 - 74
Market Cap (BGN)	188 775 372
Market Cap (EUR)	96 541 527
Number of shares out.	2 585 964
DPS	0.80
Dividend yield	1.10%
EPS	11.37
Sales per share	93.09
Book value per share	39.99
FCF per share	15.39
P/E	6.42
P/S	0.78
P/B	1.83
EV/Sales	0.68
EV/EBITDA	3.69
ROA	19.08%
ROE	32.72%
Current Ratio	1.32
Total Debt Ratio	0.15
Interest Coverage	28.57
Assets Turnover	1.56

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	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

Neochim's profit soars in 2016

Neochim's revenues grew by 9.8% YoY in the final three months of the year to BGN 69.9m. On full-year basis, top line fell by 15.6% to BGN 240.7m on weaker sales in Q2 and Q3 of the year. In 2016 domestic sales fell by 9.9% to BGN 148.94m, while export plunged by 23.4% to BGN 91.78m on significant drop in sales in other European countries, which generate 81% of the company's total export (BGN 74.4m as of 2016-end). Sales in Asia and Africa, on the contrary, grew by 20% YoY to BGN 17.37m.

With respect to the product segments, ammonium nitrate remains the largest revenue driver, generating nearly 83% of company's revenues. However, sales in this product plunged by 16% over the year to BGN 199.18m as both domestic sales and export fell. The other major product segment – Ammonia, which is sold mainly in Europe – also posted double-digit decline, as revenues fell by 16.27% YoY to BGN 31.69m.

Total operating expenses (excl. changes in inventories) decreased pronouncedly to BGN 210.77m, down by 24.07% on annual basis. Amid falling sales, expenses for materials went down by 30.67% to BGN 148.27m. Impairment costs fell to BGN 1.85m from BGN 8.83m reported a year ago. On the other hand, external services and personnel expenses were growing over the year, adding 11.9% and 12% YoY respectively.

Despite top-line deterioration, falling expenses supported operating results and Neochim reported more than 3.5-fold increase in operating profit to BGN 32.48m. With net financial expenses of just BGN 1.14m, the company posted net income of BGN 29.41m, up from BGN 4.5m reported at the end of 2015.

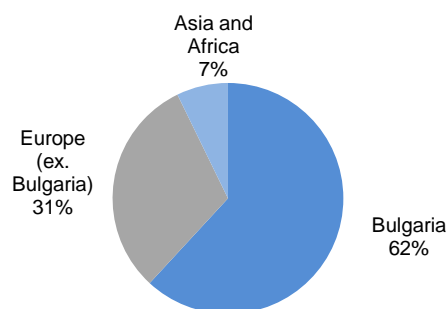
Neochim's total assets grew BGN 43.02m to BGN 175.7m in 2016, mostly on significant growth in the cash position of the company. On the liabilities' side, total bank liabilities increased slightly to BGN 27.14m. Liabilities to related parties nearly doubled to BGN 23.16m as of the end of the year due to advance sales.

Good results achieved in 2016 were also reflected in the company's profitability measures. EBIT margin increased to 13.5% (2015: 3.2%) and net margin - to 12.2% (2015: 1.6%). ROA also rose from low single-digit numbers to 19.8%, while ROE soared to 32.72%. Liquidity remains good, with current ratio at 1.32 at the end of the year.

Selected Financials	2014	2015	2016	2016
BGN '000	FY	FY	FY	4Q
Sales	233 698.0	285 123.0	240 717.0	69 900.0
Sales YoY	-4.62%	22.00%	-15.57%	9.78%
EBIT	-23 990.0	9 185.0	32 453.0	13 065.0
EBIT Margin	-10.3%	3.2%	13.5%	18.7%
Net Income	-24 375.0	4 519.0	29 407.0	10 881.0
Net Margin	-10.4%	1.6%	12.2%	15.6%
PP&E	104 799.0	98 999.0	91 586.0	91 586.0
Trade Receivables	1 034.0	1 513.0	2 616.0	2 616.0
Inventories	31 997.0	26 216.0	24 519.0	24 519.0
Total assets	158 245.0	132 517.0	175 719.0	175 719.0
Equity	72 082.0	76 304.0	103 424.0	103 424.0
Non-Current Debt	18 020.0	13 553.0	6 990.0	6 990.0
Current Debt	22 548.0	12 160.0	20 149.0	20 149.0
Trade Payables	16 046.0	11 150.0	13 531.0	13 531.0

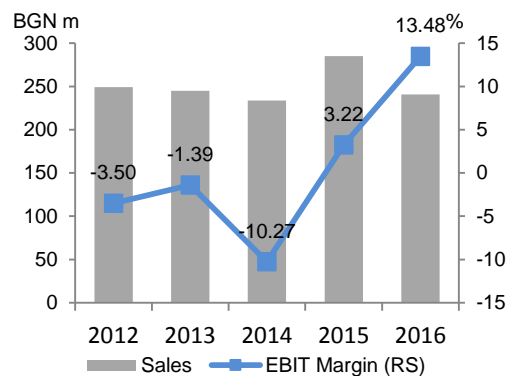
Source: Company data, Sofia International Securities Equity Research

Sales breakdown for FY 2016



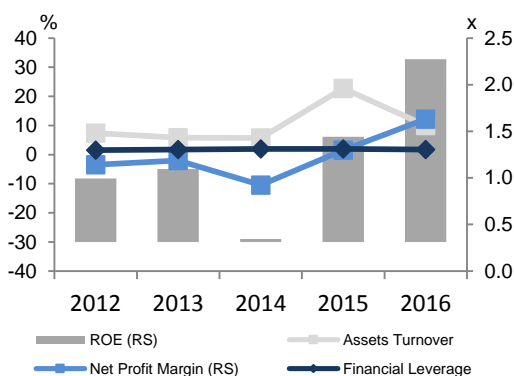
Source: Company data, Sofia International Securities Equity Research

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	2016	2016
BGN '000	FY	FY	FY	4Q
Sales	233 698.0	285 123.0	240 717.0	69 900.0
Operating costs	-256 626.0	-266 515.0	-199 066.0	-58 970.0
EBITDA	-13 234.0	20 265.0	44 191.0	15 990.0
Depreciation	-10 756.0	-11 080.0	-11 707.0	-2 956.0
EBIT	-23 990.0	9 185.0	32 453.0	13 065.0
Net financial result	-1 735.0	-1 872.0	-1 136.0	-243.0
t/o interest expense	-2 301.0	-2 012.0	-1 136.0	-243.0
EBT	-25 725.0	5 966.0	31 317.0	12 791.0
Taxes	1 350.0	-1 447.0	-1 910.0	-1 910.0
Net Income	-24 375.0	4 519.0	29 407.0	10 881.0
Minorities	0.0	0.0	0.0	0.0
Net Income after minorities	-24 375.0	4 519.0	29 407.0	10 881.0

Balance sheet

PP&E	104 799.0	98 999.0	91 586.0	91 586.0
Intangibles	325.0	190.0	206.0	206.0
Other Non-Current Assets	3 398.0	689.0	689.0	689.0
Non-Current Assets	108 522.0	99 878.0	92 481.0	92 481.0
Inventories	31 997.0	26 216.0	24 519.0	24 519.0
Trade Receivables	1 034.0	1 513.0	2 616.0	2 616.0
Cash & Cash Equivalents	360.0	560.0	52 644.0	52 644.0
Other Current Assets	16 332.0	4 350.0	3 459.0	3 459.0
Current Assets	49 723.0	32 639.0	83 238.0	83 238.0
Total Assets	158 245.0	132 517.0	175 719.0	175 719.0
Equity	72 082.0	76 304.0	103 424.0	103 424.0
Non-Current Debt	18 020.0	13 553.0	6 990.0	6 990.0
Other Non-Current Liabilities	1 761.0	2 024.0	2 012.0	2 012.0
Non-Current Liabilities	19 781.0	15 577.0	9 002.0	9 002.0
Trade Payables	16 046.0	11 150.0	13 531.0	13 531.0
Current Debt	22 548.0	12 160.0	20 149.0	20 149.0
Other Current Liabilities	27 788.0	17 326.0	29 613.0	29 613.0
Current Liabilities	66 382.0	40 636.0	63 293.0	63 293.0
Total Equity and Liabilities	158 245.0	132 517.0	175 719.0	175 719.0

Cash Flow Statement

Cashflow from Operations	2 029.0	21 875.0	58 998.0	38 728.0
Cashflow from Investments	-4 806.0	-5 767.0	-5 365.0	-1 677.0
t/o Capex	-5 303.0	-4 385.0	-5 365.0	-1 677.0
Cashflow from Financing	2 848.0	-15 910.0	-1 549.0	9 887.0
Net Cash	71.0	198.0	52 084.0	46 938.0

Source: Company data, Sofia International Securities Equity Research

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