

Sopharma (3JR BU)
Share Data

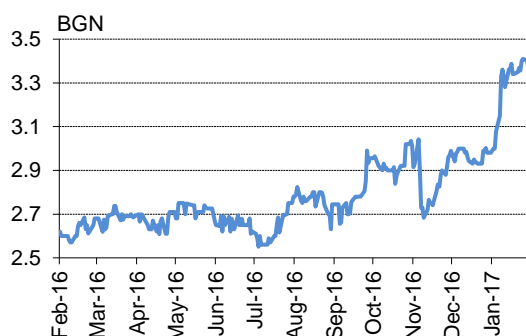
Price	3.27
52 weeks Price Change	24.81%
52 weeks Price Range	2.551 - 3.41
Market Cap (BGN)	422 273 036
Market Cap (EUR)	215 904 775
Shares outstanding	129 135 485
DPS	0.07
Dividend yield	2.14%
EPS	0.29
Sales per share	1.27
Book value per share	3.58
FCF per share	0.22
P/E	11.34
P/S	2.58
P/B	0.91
EV/Sales	3.04
EV/EBITDA	12.56
ROA	6.54%
ROE	8.33%
Current Ratio	2.36
Total Debt Ratio	0.14
Interest Coverage	9.72
Assets Turnover	0.29

Source: Company data, Sofia International Securities Equity Research

Shareholder Structure

Donev Investments Holding	24.78%
Telekomplekt Invest	20.15%
Rompharm Company	18.04%
MUPF Allianz Bulgaria	5.17%
Treasury shares	4.20%
Free Float	27.66%

Source: Company data, Sofia International Securities Equity Research

Share Price of Sopharma (3JR BU)


Source: Bloomberg, Sofia International Securities Equity Research

Sopharma's 2016 net profit jumps on sizeable financial income

Sopharma reported unconsolidated revenue for 2016 in the amount of BGN 163.83m, down by 5.74% on annual basis. In the last three months of the year alone, sales plunged by 12.74% YoY. Export revenue fell by 7.58% to BGN 101.66m reversing the recovery trend observed earlier this year. Revenues generated on domestic market followed, marking 2.26% decrease over the year to BGN 62.17m.

Sales to other European countries fell by 9.6% YoY to BGN 82.8m due to falling sales in Russia, Poland, Belarus and Serbia. Among the growing markets were Latvia, Ukraine and Croatia. Revenues from Caucasus and the Central Asia region grew by 2.6% as sales in US, Vietnam and Mongolia picked up.

As for the individual segments' performance, sales in all product groups fell in 2016. Tablets (the largest revenue driver) fell by 2.06% YoY to BGN 112.66m. Ampules segment, which generates 16.8% of company's total sales, fell even more markedly, going down by 15.69% to BGN 27.47m.

Total operating expenses (excl. change in inventories) were cut by 10.25% YoY to BGN 142.7m. Most notably, external services expenses decreased by 18.5% on annual basis to BGN 33.65m. Expenses for materials fell by 10.44% to BGN 55.18m.

As decrease in operating costs outpaced that in revenues, Sopharma's annual operating profit actually rose to BGN 25.68m, up by 2.18%. EBIT margin expanded by 1.2 p.p. to 15.7%.

The company reported financial income in the amount of BGN 24.16m, including, among others, profit from sale of subsidiaries (BGN 12.7m) and income from shareholdings (BGN 9.16m). Financial expenses were cut in half to BGN 3.18m on decrease in interest expenses and impairment charges.

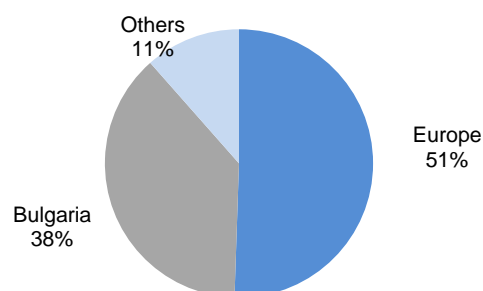
Overall, net profit jumped by 47% on annual basis to BGN 37.25m.

In December, Sopharma increased its stake in its subsidiary Unipharm (59X BU) to 77.88%, after which, the company made a tender offer to the minority shareholders to acquire the remaining shares. Regulatory approval of the offer is still pending.

Selected Financials	2014	2015	2016	2016
BGN '000	FY	FY	FY	4Q
Sales	201 461.0	173 803.0	163 827.0	44 982.0
Sales YoY	-6.75%	-13.73%	-5.74%	-12.47%
EBIT	24 661.0	25 137.0	20 057.0	11 419.0
EBIT Margin	12.24%	14.46%	12.24%	25.39%
Net Income	27 291.0	25 354.0	37 252.0	5 864.0
Net Margin	13.55%	14.59%	22.74%	13.04%
PP&E	211 056.0	211 943.0	209 707.0	209 707.0
Trade Recievables	23 397.0	21 466.0	22 381.0	22 381.0
Inventories	57 360.0	61 701.0	56 816.0	56 816.0
Total assets	571 917.0	570 609.0	568 983.0	568 983.0
Equity	406 524.0	431 626.0	462 351.0	462 351.0
Non-Current Debt	38 006.0	30 822.0	23 844.0	23 844.0
Current Debt	98 192.0	76 341.0	55 478.0	55 478.0
Trade Payables	7 909.0	8 014.0	5 115.0	5 115.0

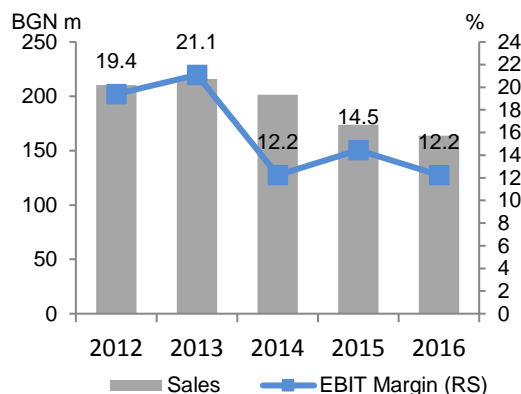
Source: Company data, Sofia International Securities Equity Research

Sales by segments in 2016



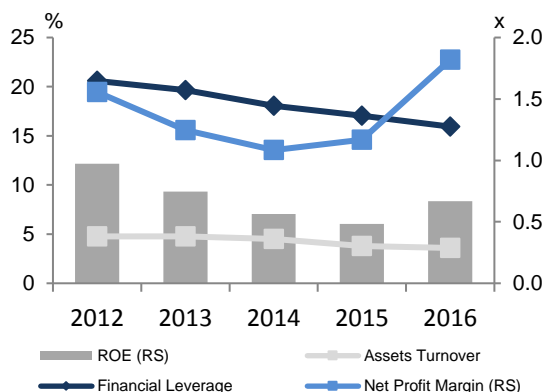
Source: Company data, Sofia International Securities Equity Research

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	201 461.0	173 803.0	163 827.0	44 982.0
Operating costs	-177 823.0	-144 435.0	-128 775.0	-39 783.0
EBITDA	41 650.0	39 686.0	39 603.0	9 258.0
Depreciation	-16 989.0	-14 549.0	-13 919.0	-3 466.0
EBIT	24 661.0	25 137.0	20 057.0	11 419.0
Net financial result	8 311.0	11 610.0	20 983.0	681.0
t/o interest expense	-4 344.0	-3 510.0	-2 064.0	-520.0
EBT	29 720.0	28 180.0	41 040.0	6 473.0
Taxes	-2 429.0	-2 826.0	-3 788.0	-609.0
Net Income	27 291.0	25 354.0	37 252.0	5 864.0
Minorities	0.0	0.0	0.0	0.0
Net Income after minorities	27 291.0	25 354.0	37 252.0	5 864.0

Balance sheet

PP&E	211 056.0	211 943.0	209 707.0	209 707.0
Intangibles	3 210.0	2 507.0	2 177.0	2 177.0
Other Non-Current Assets	161 412.0	184 331.0	195 208.0	195 208.0
Non-Current Assets	375 678.0	398 781.0	407 092.0	407 092.0
Inventories	57 360.0	61 701.0	56 816.0	56 816.0
Trade Receivables	23 397.0	21 466.0	22 381.0	22 381.0
Cash & Cash Equivalents	4 076.0	3 745.0	4 343.0	4 343.0
Other Current Assets	111 406.0	84 916.0	78 351.0	78 351.0
Current Assets	196 239.0	171 828.0	161 891.0	161 891.0
Total Assets	571 917.0	570 609.0	568 983.0	568 983.0
Equity	406 524.0	431 626.0	462 351.0	462 351.0
Non-Current Debt	38 006.0	30 822.0	23 844.0	23 844.0
Other Non-Current Liabilities	10 479.0	13 494.0	14 221.0	14 221.0
Non-Current Liabilities	48 485.0	44 316.0	38 065.0	38 065.0
Trade Payables	7 909.0	8 014.0	5 115.0	5 115.0
Current Debt	98 192.0	76 341.0	55 478.0	55 478.0
Other Current Liabilities	10 807.0	10 312.0	7 974.0	7 974.0
Current Liabilities	116 908.0	94 667.0	68 567.0	68 567.0
Total Equity and Liabilities	571 917.0	570 609.0	568 983.0	568 983.0

Cash Flow Statement

Cashflow from Operations	31 533.0	28 398.0	26 636.0	20 389.0
Cashflow from Investments	-12 018.0	-410.0	12 998.0	-5 296.0
Cashflow from Investr	-12 018.0	-410.0	12 998.0	-5 296.0
Cashflow from Financing	-24 730.0	-27 721.0	-39 036.0	-10 694.0
Net Cash	-5 215.0	267.0	598.0	4 399.0

Source: Company data, Sofia International Securities Equity Research

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