

Sopharma (3JR BU)
Share Data

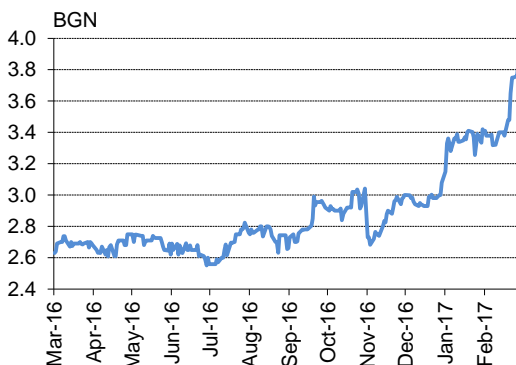
Price	3.84
52 weeks Price Change	46.77%
52 weeks Price Range	2.551 - 3.844
Market Cap (BGN)	495 815 715
Market Cap (EUR)	253 506 549
Shares outstanding	128 984 317
DPS	0.07
Dividend yield	1.82%
EPS	0.36
Sales per share	6.84
Book value per share	3.48
FCF per share	0.27
P/E	10.70
P/S	0.56
P/B	1.11
EV/Sales	0.84
EV/EBITDA	10.52
ROA	6.00%
ROE	10.78%
Current Ratio	1.39
Total Debt Ratio	0.27
Interest Coverage	4.47
Assets Turnover	1.04

Source: Company data, Sofia International Securities Equity Research

Shareholder Structure

Donev Investments Holding	24.78%
Telecompect Invest	20.15%
Rompharm Company	18.04%
Treasury shares	4.20%
Free float	32.83%

Source: Company data, Sofia International Securities Equity Research

Share Price of Sopharma (3JR BU)


Source: Bloomberg, Sofia International Securities Equity Research

Sopharma's net profit soared by 124% in 2016

Sopharma' reported strong fourth quarter of the year as consolidated revenue grew by 7% YoY between October and December. Full-year revenue reached BGN 881.68m, up by 0.8% on annual basis, reversing some negative trends observed earlier this year. Distribution segment grew by 3.15% YoY to BGN 647.9m, whereas sales in Production segment fell by 5.3% on annual basis to BGN 233.78m.

Annual sales in the largest product segment and main revenue driver – Tablets – are down by 1.42% to BGN 456.35m (52% of total sales). Similarly, Ampules sales, which generate another 24% of the Group's total revenue decreased by 0.35% to BGN 211.96m.

In view of geographic segments, Sopharma reported that its domestic revenues accounted for 72% of its total revenues, up by 3% YoY. Sales in Europe, which cover the key Russian and Ukrainian markets and generate another 28% of the top-line, fell by 5% over the year.

Total OpEx for the year (excl. changes in inventories) grew slightly by 0.5% (BGN 4.5m) to BGN 844.61m. Personnel expenses added 6.8% YoY to BGN 87m while both expenses for materials and external services expenses went down – by 4.4% and 11.7% respectively.

Sopharma reported 12-month operating profit in the amount of BGN 42.47m, up by 16.8% on annual basis. EBIT margin improved by 66 bp to 4.82%.

The combination of significantly lower net financial expenses and strong positive effects from investments in associates and joint ventures supported more than two-fold increase in pre-tax profit. The Group reported net profit in the amount of BGN 50.69m, up by BGN 22.6m reported in 2015.

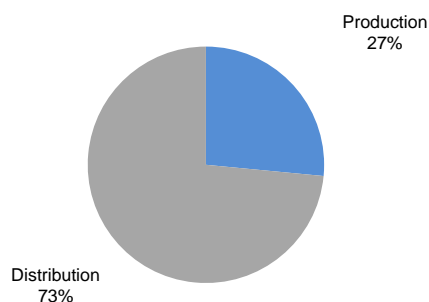
In December 2016 the company increased its stake in the pharmaceutical producer Unipharm (59X BU) from 52.53% to 77.43%. Subsequently, Sopharma made a tender offer to purchase the outstanding shares held by the minority shareholders. The Financial Supervision Commission imposed a ban on the offer publication.

In February 2017 Sopharma announced that the Moldova Competition Authority gave its consent to the company's acquisition of 51% of the local pharmacy chain owner and operator RAP Pharma International. The deal value was not disclosed.

Selected Financials	2015	2016	2015	2016
BGN '000	FY	FY	4Q	4Q
Revenues	874 984.0	881 684.0	227 383.0	243 294.0
Revenues YoY	4.10%	0.77%	2.06%	7.00%
EBIT	36 440.0	42 195.0	6 794.0	10 841.0
EBIT Margin	4.16%	4.79%	2.99%	4.46%
Net Income	21 314.0	46 342.0	-2 545.0	14 986.0
Net Margin	2.58%	5.75%	-0.79%	7.36%
PP&E	315 005.0	314 716.0	315 005.0	314 716.0
Trade Receivables	205 589.0	219 314.0	205 589.0	219 314.0
Inventories	163 129.0	168 399.0	163 129.0	168 399.0
Total assets	835 627.0	853 179.0	835 627.0	853 179.0
Equity	457 640.0	482 949.0	457 640.0	482 949.0
Non-Current Debt	40 833.0	28 566.0	40 833.0	28 566.0
Current Debt	205 569.0	200 235.0	205 569.0	200 235.0
Trade Payables	87 440.0	92 479.0	87 440.0	92 479.0

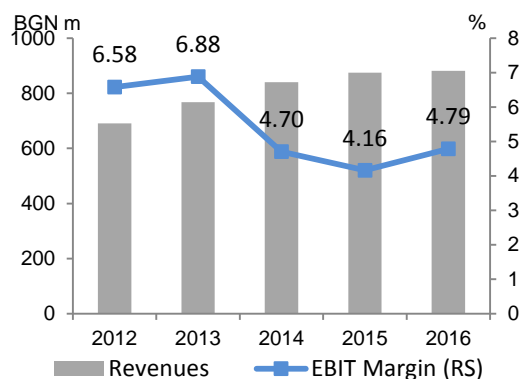
Source: Company data, Sofia International Securities Equity Research

Sales by segments in Q4'16



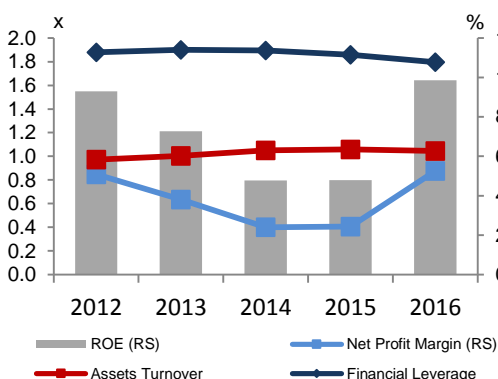
Source: Company data, Sofia International Securities Equity Research

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	2015	2016	2015	2016
BGN '000	FY	FY	4Q	4Q
Revenues	874 984.0	881 684.0	227 383.0	243 294.0
Expenses	-813 747.0	-817 050.0	-216 773.0	-229 285.0
EBITDA	62 766.0	70 025.0	13 517.0	18 000.0
Depreciation	-26 326.0	-27 559.0	-6 723.0	-7 430.0
EBIT	36 440.0	42 195.0	6 794.0	10 841.0
Net financial result	-14 812.0	-4 782.0	-15 029.0	511.0
t/o interest expense	-9 277.0	-9 432.0	-2 578.0	-2 310.0
EBT	27 575.0	60 218.0	-2 738.0	21 387.0
Taxes	-4 975.0	-9 526.0	940.0	-3 477.0
Net Income (before minority)	22 600.0	50 692.0	-1 798.0	17 910.0
Minorities	1 286.0	4 350.0	747.0	2 924.0
Net Income	21 314.0	46 342.0	-2 545.0	14 986.0

Balance sheet

PP&E	315 005.0	314 716.0	315 005.0	314 716.0
Intangibles	35 502.0	45 266.0	35 502.0	45 266.0
Other Non-Current Assets	50 977.0	52 341.0	50 977.0	52 341.0
Non-Current Assets	401 484.0	412 323.0	401 484.0	412 323.0
Inventories	163 129.0	168 399.0	163 129.0	168 399.0
Trade Receivables	205 589.0	219 314.0	205 589.0	219 314.0
Cash & Cash Equivalents	23 486.0	22 524.0	23 486.0	22 524.0
Other Current Assets	41 939.0	30 619.0	41 939.0	30 619.0
Current Assets	434 143.0	440 856.0	434 143.0	440 856.0
Total Assets	835 627.0	853 179.0	835 627.0	853 179.0
Equity	457 640.0	482 949.0	457 640.0	482 949.0
Non-Current Debt	40 833.0	28 566.0	40 833.0	28 566.0
Other Non-Current Liabilities	21 659.0	24 475.0	21 659.0	24 475.0
Non-Current Liabilities	62 492.0	53 041.0	62 492.0	53 041.0
Trade Payables	87 440.0	92 479.0	87 440.0	92 479.0
Current Debt	205 569.0	200 235.0	205 569.0	200 235.0
Other Current Liabilities	22 486.0	24 475.0	22 486.0	24 475.0
Current Liabilities	315 495.0	317 189.0	315 495.0	317 189.0
Total Equity and Liabilities	835 627.0	853 179.0	835 627.0	853 179.0

Cash Flow Statement

Cashflow from Operations	67 310.0	-80 834.0	28 827.0	-20 423.0
Cashflow from Investments	-32 899.0	-5 609.0	-5 982.0	-9 317.0
t/o Capex	-17 353.0	-13 668.0	-5 517.0	-4 109.0
Cashflow from Financing	-36 596.0	85 727.0	-27 840.0	34 660.0
Net Cash	-2 185.0	-716.0	-4 995.0	4 920.0

Source: Company data, Sofia International Securities Equity Research

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