

Trace Group (T57 BU)
Share Data

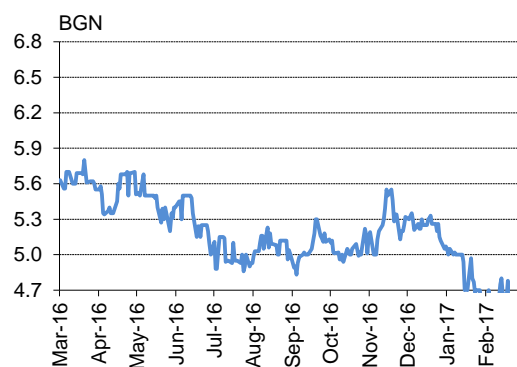
Price	4.06
52 weeks Price Change	-26.18%
52 weeks Price Range	4.02 - 5.8
Market Cap (BGN)	98 251 111
Market Cap (EUR)	50 234 995
Shares outstanding	24 199 781
DPS	0.1474
Dividend yield	3.63%
EPS	-0.44
Sales per share	10.90
Book value per share	3.91
FCF per share	-1.58
P/E	n/a
P/S	0.37
P/B	1.04
EV/Sales	0.28
EV/EBITDA	n/a
ROA	-3.32%
ROE	-9.76%
Current Ratio	1.11
Total Debt Ratio	0.04
Interest Coverage	n/a
Assets Turnover	0.88

Source: Company data, Sofia International Securities Equity Research

Shareholder Structure

Nikolay Mihaylov	66.97%
Galini-N EOOD	9.00%
Treasury shares	0.02%
Free float	24.01%

Source: Company data, Sofia International Securities Equity Research

Share Price of Trace Group (T57 BU)


Source: Bloomberg, Sofia International Securities Equity Research

Big sales drop brings net loss in 2016

Contraction in consolidated revenues of Trace Group continued through the fourth quarter of 2016, as sales slumped by 57.6% YoY between October and December. On full-year basis the Group reported 45.4% drop in its consolidated sales to BGN 263.82m. Sales in Construction & Engineering segment, which account for most of the revenues, plunged by 45% to BGN 243.35m. Revenues from sale of production and finished goods also posted significant double-digit decline.

Along with the sizeable revenue drop, operating expenses went down as well. Total OpEx (excl. change in inventories and other adjustments) fell by 41.3% on annual basis to BGN 266.83m. External services expenses, which are closely related to Trace's construction & engineering activities, went down by 48% YoY to BGN 155.6m, mimicking the drop in the segment revenues. Expenses for materials also plunged by 30.8% to BGN 63.59m. In this context, personnel expenses fell by just 4.4% YoY.

In line with these developments, Trace posted operating loss in the amount of BGN 9.2m, compared to a profit of BGN 14.25m, reported a year ago.

The Group reported net loss of BGN 9.93m (BGN 10.65m after minorities) after posting profit in 2015.

Total assets fell marginally over the last quarter but on year-over-year basis there was visible decrease – 34.7% (-BGN 125.7m). In the last three months of 2016 both non-current and current receivables fell on drop in sales receivables.

Total bank and lease liabilities were cut down from BGN 14.77m as of end-September to the current level of BGN 8.66m. This also represents small increase over the 2015-level and the Group's total debt ratio remains very low at 3.7%.

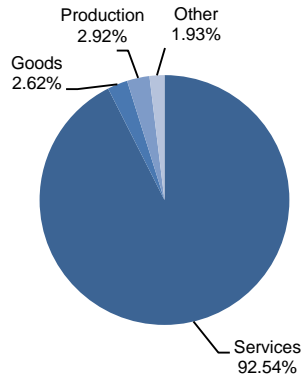
With significant amount of cash used in operations, Trace's cash position was significantly reduced over the year. Nonetheless, at the current level of BGN 32.67m, the Group's cash assets account for nearly 14% of total assets.

Trace Group Hold is the leading partner in the consortium that was selected to construct a 1.47 km section of the third metro line in Sofia. The contract value is BGN 95.1m (VAT excl.) and the works should be completed within 32 months.

Selected Financials	2015	2016	2015	2016
BGN '000	FY	FY	4Q	4Q
Sales	482 911.0	263 820.0	233 371.0	99 029.0
Sales YoY	40.17%	-45.37%	110.97%	-57.57%
EBIT	14 249.0	-9 214.0	5 357.0	-3 934.0
EBIT Margin	2.95%	-3.49%	2.30%	-3.97%
Net Income	9 673.0	-9 928.0	2 826.0	-3 661.0
Net Margin	2.00%	-3.76%	1.21%	-3.70%
PP&E	74 398.0	76 077.0	74 398.0	76 077.0
Trade Receivables	167 408.0	96 110.0	167 408.0	96 110.0
Inventories	9 484.0	10 399.0	9 484.0	10 399.0
Total assets	362 001.0	236 274.0	362 001.0	236 274.0
Equity	108 504.0	94 953.0	108 504.0	94 953.0
Non-Current Debt	2 245.0	3 146.0	2 245.0	3 146.0
Current Debt	4 902.0	5 512.0	4 902.0	5 512.0
Trade Payables	204 279.0	109 886.0	204 279.0	109 886.0

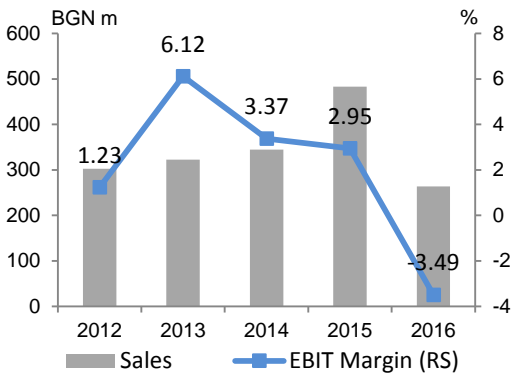
Source: Company data, Sofia International Securities Equity Research

Sales by segments in Q4 2016



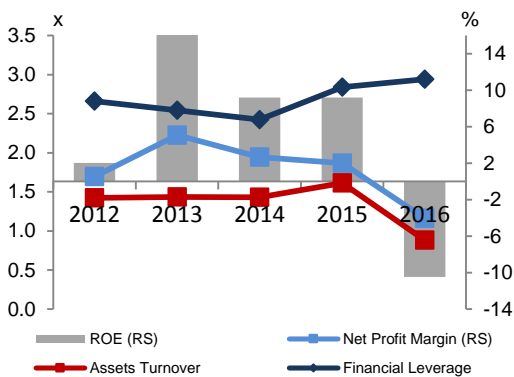
Source: Company data, Sofia International Securities Equity Research

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	2015	2016	2015	2016
BGN '000	FY	FY	4Q	4Q
Sales	482 911.0	263 820.0	233 371.0	99 029.0
Operating costs	-447 457.0	-259 432.0	-220 110.0	-99 560.0
EBITDA	21 468.0	-2 171.0	7 150.0	-2 113.0
Depreciation	-7 219.0	-7 043.0	-1 793.0	-1 821.0
EBIT	14 249.0	-9 214.0	5 357.0	-3 934.0
Net financial result	-2 407.0	-2 014.0	-1 191.0	-333.0
t/o interest expense	-1 110.0	-663.0	482.0	-157.0
EBT	12 105.0	-9 959.0	4 049.0	-4 213.0
Taxes	-2 432.0	31.0	-1 223.0	552.0
Net Income	9 673.0	-9 928.0	2 826.0	-3 661.0
Minorities	-10.0	723.0	8.0	12.0
Net Income after minorities	9 683.0	-10 651.0	2 818.0	-3 673.0

Balance sheet

PP&E	74 398.0	76 077.0	74 398.0	76 077.0
Intangibles	2 103.0	1 980.0	2 103.0	1 980.0
Other Non-Current Assets	21 345.0	12 965.0	21 345.0	12 965.0
Non-Current Assets	97 846.0	91 022.0	97 846.0	91 022.0
Inventories	9 484.0	10 399.0	9 484.0	10 399.0
Trade Receivables	167 408.0	96 110.0	167 408.0	96 110.0
Cash & Cash Equivalents	83 288.0	32 673.0	83 288.0	32 673.0
Other Current Assets	3 975.0	6 070.0	3 975.0	6 070.0
Current Assets	264 155.0	145 252.0	264 155.0	145 252.0
Total Assets	362 001.0	236 274.0	362 001.0	236 274.0
Equity	108 504.0	94 953.0	108 504.0	94 953.0
Non-Current Debt	2 245.0	3 146.0	2 245.0	3 146.0
Other Non-Current Liabilities	6 885.0	7 387.0	6 885.0	7 387.0
Non-Current Liabilities	9 130.0	10 533.0	9 130.0	10 533.0
Trade Payables	204 279.0	109 886.0	204 279.0	109 886.0
Current Debt	4 902.0	5 512.0	4 902.0	5 512.0
Other Current Liabilities	35 186.0	15 390.0	35 186.0	15 390.0
Current Liabilities	244 367.0	130 788.0	244 367.0	130 788.0
Total Equity and Liabilities	362 001.0	236 274.0	362 001.0	236 274.0

Cash Flow Statement

Cashflow from Operations	60 140.0	-42 197.0	80 941.0	28 192.0
Cashflow from Investments	-10 589.0	-5 763.0	-2 592.0	-1 851.0
t/o Capex	-6 201.0	-5 297.0	-2 319.0	-1 236.0
Cashflow from Financing	-4 008.0	-2 569.0	-8 839.0	-6 894.0
Net Cash	45 543.0	-50 529.0	69 510.0	19 447.0

Source: Company data, Sofia International Securities Equity Research

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