

**M+S Hydraulic (5MH BU)
Share Data**

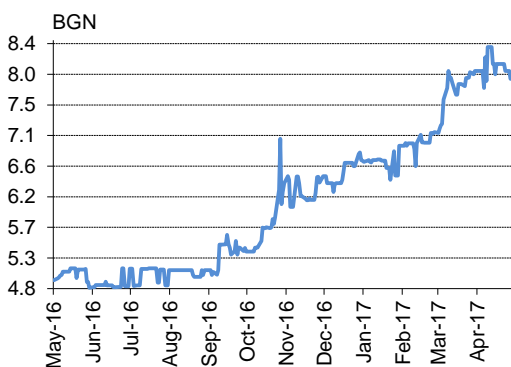
Price	8.00
52 weeks Price Change	62.54%
52 weeks Price Range	4.811 - 8.35
Market Cap (BGN)	312 345 600
Market Cap (EUR)	159 736 522
Shares outstanding	39 043 200
DPS	0.22
Dividend yield	2.75%
EPS	0.32
Sales per share	2.43
Book value per share	1.88
FCF per share	0.30
P/E	24.63
P/S	3.29
P/B	4.26
EV/Sales	3.10
EV/EBITDA	13.94
ROA	15.05%
ROE	17.72%
Current Ratio	3.80
Total Debt Ratio	0.001
Interest Coverage	n.a.
Assets Turnover	1.13

Source: Company data, Sofia International Securities Equity Research

Shareholder Structure

Stara Planina Holding	30.91%
M+S 97	24.10%
Industrial Capital Holding	22.37%
Free Float	22.62%

Source: Company data, Sofia International Securities Equity Research

Share Price of M+S Hydraulic (5MH BU)


Source: Bloomberg, Sofia International Securities Equity Research

M+S Hydraulic raises dividend after strong 2016 results

Net revenues of M+S Hydraulic grew by 5.7% YoY reaching BGN 25.3m in the first three months of the year. As the first quarter is traditionally strong for the company, the growth on three-month basis was even more impressive standing at 17.6%. Export sales, which account for 83% of the total sales in Q1 went up by 4.6% YoY to BGN 20.86m whereas domestic revenue also continued to climb, adding 10.5% YoY to BGN 4.35m.

As reported, company's total operating expenses (excl. change in inventories and book value of assets sold) rose by 8.7% YoY to BGN 21.5m. Expenses for materials, which are the largest cost item, increased by 4.9% on annual basis to BGN 11.86m. Personnel expenses also went up significantly, adding 15.2% over the last 12-month period to BGN 6.25m.

As a result, the company reported operating profit in the amount of BGN 4.2m - almost unchanged (+0.5% YoY) from the level reported last year.

With net financial expenses still remaining insignificant, net profit in Q1 2017 was BGN 3.76m, up by just 0.3% on annual basis. Net margin, however, contracted by 0.8pp to 14.9%.

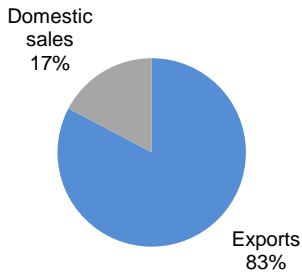
Total assets of M+S Hydraulic increased by 7.35% YTD on growth in current assets. Inventories went up by 29.5% in the first three months of the year to BGN 17.29m, and cash balances increased to BGN 18.5m on strong operating cash flows. Total liabilities increased to BGN 13m on higher trade and personnel payables, while liabilities toward financial institutions were just BGN 0.1m as of 31 March 2017.

M+S Hydraulic will held its annual GMS on 18 May 2017. The company's management proposed the distribution of an annual dividend for 2016 in the amount of BGN 0.26 per share (2015: BGN 0.22). At the current market price, this implies dividend yield of 3.25%.

Selected Financials	2015	2016	2016	2017
BGN '000	FY	FY	1Q	1Q
Sales	86 433.0	93 527.0	23 961.0	25 327.0
Sales YoY	-3.67%	8.21%	4.85%	5.70%
EBIT	10 882.0	14 174.0	4 198.0	4 217.0
EBIT Margin	12.59%	15.15%	17.52%	16.65%
Net Income	9 725.0	12 672.0	3 752.0	3 762.0
Net Margin	11.25%	13.55%	15.66%	14.85%
PP&E	33 560.0	33 434.0	32 148.0	32 232.0
Trade Receivables	12 207.0	13 346.0	17 719.0	17 287.0
Inventories	9 759.0	10 787.0	9 609.0	10 689.0
Total assets	75 604.0	80 696.0	81 906.0	86 628.0
Equity	66 123.0	69 485.2	69 874.0	73 247.0
Non-Current Debt	0.0	82.0	0.0	82.0
Current Debt	166.0	29.0	82.0	23.0
Trade Payables	6 474.0	7 255.0	8 296.0	8 869.0

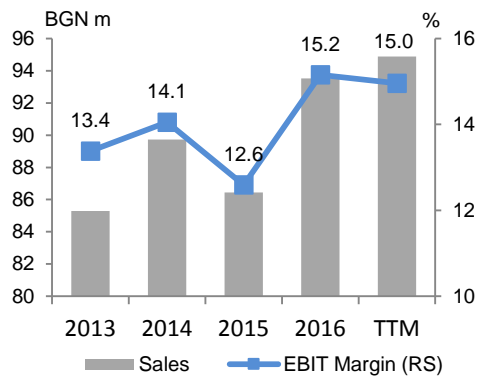
Source: Company data, Sofia International Securities Equity Research

Sales by segments in Q1 2017



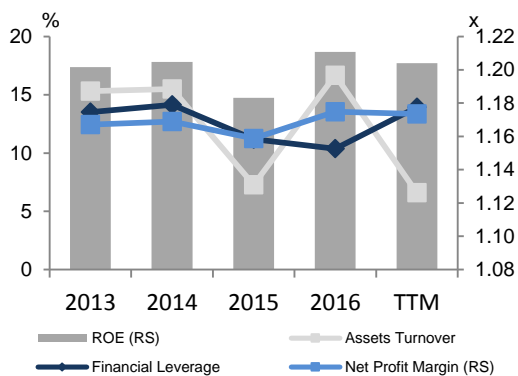
Source: Company data, Sofia International Securities Equity Research

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

BGN '000	2015 FY	2016 FY	2016 1Q	2017 1Q
Sales	86 433.0	93 527.0	23 961.0	25 327.0
Operating costs	-68 575.0	-73 327.0	-18 046.0	-19 689.0
EBITDA	17 685.0	20 983.0	5 915.0	6 015.0
Depreciation	-6 803.0	-6 809.0	-1 717.0	-1 798.0
EBIT	10 882.0	14 174.0	4 198.0	4 217.0
Net financial result	-83.0	-81.0	-29.0	-37.0
t/o interest expense	-13.0	-5.0	-1.0	-1.0
EBT	10 799.0	14 093.0	4 169.0	4 180.0
Taxes	-1 074.0	-1 421.0	-417.0	-418.0
Net Income	9 725.0	12 672.0	3 752.0	3 762.0
Minorities	0.0	0.0	0.0	0.0
Net Income after minorities	9 725.0	12 672.0	3 752.0	3 762.0

Balance sheet

PP&E	33 560.0	33 434.0	32 148.0	32 232.0
Intangibles	109.0	212.0	94.0	240.0
Other Non-Current Assets	4 207.0	4 206.0	4 207.0	4 695.0
Non-Current Assets	37 876.0	37 852.0	36 449.0	37 167.0
Inventories	9 759.0	10 787.0	9 609.0	10 689.0
Trade Receivables	12 207.0	13 346.0	17 719.0	17 287.0
Cash & Cash Equivalents	13 656.0	16 637.0	15 491.0	18 513.0
Other Current Assets	2 106.0	2 074.0	2 638.0	2 972.0
Current Assets	37 728.0	42 844.0	45 457.0	49 461.0
Total Assets	75 604.0	80 696.0	81 906.0	86 628.0
Equity	66 123.0	69 485.2	69 874.0	73 247.0
Non-Current Debt	0.0	82.0	0.0	82.0
Other Non-Current Liabilities	322.0	293.0	322.0	293.0
Non-Current Liabilities	322.0	375.0	322.0	375.0
Trade Payables	6 474.0	7 255.0	8 296.0	8 869.0
Current Debt	166.0	29.0	82.0	23.0
Other Current Liabilities	2 519.0	3 552.0	3 332.0	4 114.0
Current Liabilities	9 159.0	10 836.0	11 710.0	13 006.0
Total Equity and Liabilities	75 604.0	80 696.2	81 906.0	86 628.0

Cash Flow Statement

Cashflow from Operations	17 563.0	18 142.0	2 188.0	5 097.0
Cashflow from Investments	-8 668.0	-6 374.0	-249.0	-3 202.0
t/o Capex	-10 367.0	-6 384.0	-249.0	-2 713.0
Cashflow from Financing	-9 277.0	-8 787.0	-104.0	-19.0
Net Cash	-382.0	2 981.0	1 835.0	1 876.0

Source: Company data, Sofia International Securities Equity Research

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