

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

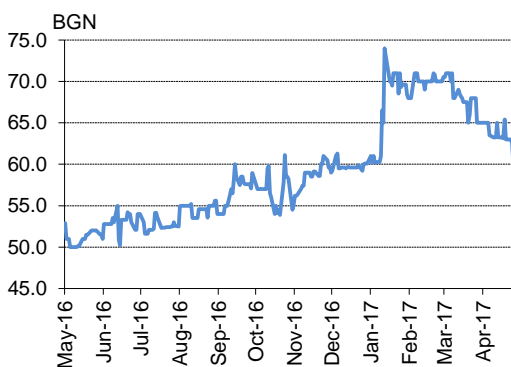
Price	62.00
52 weeks Price Change	21.26%
52 weeks Price Range	50 - 74
Market Cap (BGN)	160 329 768
Market Cap (EUR)	81 975 309
Number of shares out.	2 585 964
DPS	0.80
Dividend yield	1.29%
EPS	8.69
Sales per share	81.90
Book value per share	45.95
FCF per share	12.90
P/E	7.13
P/S	0.76
P/B	1.35
EV/Sales	0.74
EV/EBITDA	3.87
ROA	14.55%
ROE	20.68%
Current Ratio	1.75
Total Debt Ratio	0.23
Interest Coverage	97.42
Assets Turnover	1.37

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

**After soaring in 2016, Neochim's profit stumbled in Q1 2017 on surprising drop in revenues**

Net revenues of Neochim surprisingly fell by 30% YoY in Q1 2017 to BGN 67.56m after significant drop in domestic sales. The latter account for ca. 60% of the company's total revenues and their plunge by 40% was a serious hit to the overall top line. Export also fell, although not so dramatically, by 5.10% to BGN 28.01m.

With respect to the various product segments, declines are observed in both of the two major products categories. Ammonium nitrate remains the largest revenue driver, generating nearly 83% of company's revenues but sales in this product fell by 32.9% in the first three months of the year to BGN 55.75m. Revenue from ammonia decreased by 18.3% to BGN 8.66m.

Neochim's total operating expenses (excl. change in inventories) fell by 20% YoY to BGN 56.6m. Expenses for natural gas, which account for 90% of the company's total expenses for materials and are a major cost driver, fell by 29.5% YoY to BGN 34.2m. In the first three months of the year external services expenses remained almost unchanged on annual basis, while personnel expenses increased by 9.1% to BGN 6.19m.

Overall, operating profit fell by 25.5% to BGN 16.95m. EBIT margin, however improved slightly from 23.5% in Q1 2016 to 25.09% in the current period.

Interest expenses were cut in half to BGN 0.17m, supporting the bottom line and thus, Neochim reported net profit in the amount of BGN 16.78m for the first quarter of the year, down by 24.8% YoY.

No significant change was seen in total assets, which added just BGN 2m YTD to BGN 177.15 in total. Most notably, inventories rose by 19.7% in Q1 on growth in finished production.

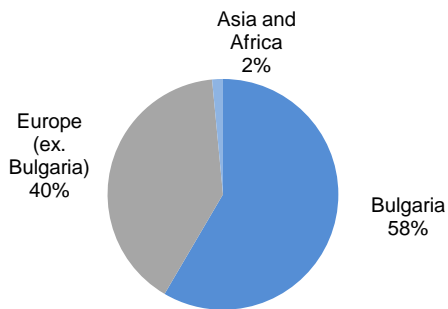
On the other hand, bank liabilities increased significantly to BGN 41.47m in total, up from BGN 27.14m at the end of 2016 and BGN 20.1m in Q1 2016.

The annual GMS will be held on 23 June 2017. The company's management proposed the distribution of annual dividend for 2016 in the amount of BGN 1.30 per share (2015: BGN 0.80). At the current market price, this implies dividend yield of 2.1%.

<b>Selected Financials</b>	<b>2015</b>	<b>2016</b>	<b>2016</b>	<b>2017</b>
<b>BGN '000</b>	<b>FY</b>	<b>FY</b>	<b>1Q</b>	<b>1Q</b>
Sales	285 123.0	240 717.0	96 498.0	67 563.0
Sales YoY	22.00%	-15.57%	6.49%	-29.99%
EBIT	9 185.0	32 296.0	22 673.0	16 951.0
EBIT Margin	3.2%	13.4%	23.5%	25.1%
Net Income	4 519.0	28 027.0	22 322.0	16 777.0
Net Margin	1.6%	11.6%	23.1%	24.8%
PP&E	98 999.0	91 600.0	97 069.0	89 510.0
Trade Receivables	1 513.0	2 635.0	3 106.0	2 786.0
Inventories	26 216.0	24 498.0	23 241.0	29 336.0
Total assets	132 517.0	175 130.0	131 959.0	177 145.0
Equity	76 304.0	102 044.0	98 626.0	118 821.0
Non-Current Debt	13 553.0	6 990.0	13 620.0	6 990.0
Current Debt	12 160.0	20 149.0	6 467.0	34 481.0
Trade Payables	11 150.0	13 550.0	3 167.0	5 329.0

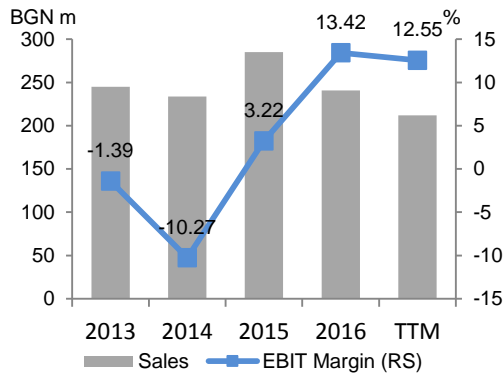
Source: Company data, Sofia International Securities Equity Research

### Sales breakdown for Q1 2017



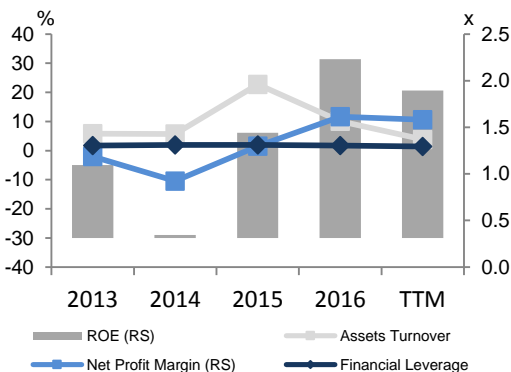
Source: Company data, Sofia International Securities Equity Research

### 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	2015	2016	2016	2017
BGN '000	FY	FY	1Q	1Q
<b>Sales</b>	<b>285 123.0</b>	<b>240 717.0</b>	<b>96 498.0</b>	<b>67 563.0</b>
Operating costs	-266 515.0	-197 201.0	-67 942.0	-53 810.0
<b>EBITDA</b>	<b>20 265.0</b>	<b>46 056.0</b>	<b>25 519.0</b>	<b>19 770.0</b>
Depreciation	-11 080.0	-11 707.0	-2 846.0	-2 819.0
<b>EBIT</b>	<b>9 185.0</b>	<b>32 296.0</b>	<b>22 673.0</b>	<b>16 951.0</b>
Net financial result	-1 872.0	-1 136.0	-351.0	-174.0
t/o interest expense	-2 012.0	-1 136.0	-351.0	-174.0
<b>EBT</b>	<b>5 966.0</b>	<b>31 160.0</b>	<b>22 322.0</b>	<b>16 777.0</b>
Taxes	-1 447.0	-3 133.0	0.0	0.0
<b>Net Income</b>	<b>4 519.0</b>	<b>28 027.0</b>	<b>22 322.0</b>	<b>16 777.0</b>
Minorities	0.0	0.0	0.0	0.0
<b>Net Income after minorities</b>	<b>4 519.0</b>	<b>28 027.0</b>	<b>22 322.0</b>	<b>16 777.0</b>

Balance sheet	2015	2016	2016	2017
PP&E	98 999.0	91 600.0	97 069.0	89 510.0
Intangibles	190.0	206.0	268.0	1 536.0
Other Non-Current Aassets	689.0	92.0	689.0	92.0
<b>Non-Current Assets</b>	<b>99 878.0</b>	<b>91 898.0</b>	<b>98 026.0</b>	<b>91 138.0</b>
Inventories	26 216.0	24 498.0	23 241.0	29 336.0
Trade Receivables	1 513.0	2 635.0	3 106.0	2 786.0
Cash & Cash Equivalents	560.0	52 644.0	4 399.0	45 999.0
Other Current Assets	4 350.0	3 455.0	3 187.0	7 886.0
<b>Current Assets</b>	<b>32 639.0</b>	<b>83 232.0</b>	<b>33 933.0</b>	<b>86 007.0</b>
<b>Total Assets</b>	<b>132 517.0</b>	<b>175 130.0</b>	<b>131 959.0</b>	<b>177 145.0</b>
<b>Equity</b>	<b>76 304.0</b>	<b>102 044.0</b>	<b>98 626.0</b>	<b>118 821.0</b>
Non-Current Debt	13 553.0	6 990.0	13 620.0	6 990.0
Other Non-Current Liabilities	2 024.0	2 271.0	2 024.0	2 271.0
<b>Non-Current Liabilities</b>	<b>15 577.0</b>	<b>9 261.0</b>	<b>15 644.0</b>	<b>9 261.0</b>
Trade Payables	11 150.0	13 550.0	3 167.0	5 329.0
Current Debt	12 160.0	20 149.0	6 467.0	34 481.0
Other Current Liabilities	17 326.0	30 126.0	8 055.0	9 253.0
<b>Current Liabilities</b>	<b>40 636.0</b>	<b>63 825.0</b>	<b>17 689.0</b>	<b>49 063.0</b>
<b>Total Equity and Liabilities</b>	<b>132 517.0</b>	<b>175 130.0</b>	<b>131 959.0</b>	<b>177 145.0</b>

Cash Flow Statement	2015	2016	2016	2017
Cashflow from Operations	21 875.0	56 881.0	9 847.0	-20 086.0
Cashflow from Investments	-5 767.0	-5 365.0	-74.0	-693.0
t/o Capex	-4 385.0	-5 365.0	-74.0	-693.0
Cashflow from Financing	-15 910.0	684.0	0.0	14 134.0
<b>Net Cash</b>	<b>198.0</b>	<b>52 200.0</b>	<b>9 773.0</b>	<b>-6 645.0</b>

Source: Company data, Sofia International Securities Equity Research

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