

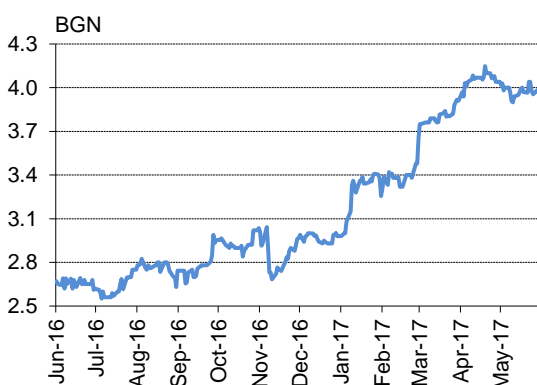
Sopharma (3JR BU)
Share Data

Price	4.05
52 weeks Price Change	48.62%
52 weeks Price Range	2.551 - 4.148
Market Cap (BGN)	526 436 484
Market Cap (EUR)	269 162 700
Shares outstanding	129 984 317
DPS	0.07
Dividend yield	1.73%
EPS	0.44
Sales per share	6.93
Book value per share	3.65
FCF per share	0.38
P/E	9.20
P/S	0.58
P/B	1.11
EV/Sales	0.83
EV/EBITDA	9.37
ROA	7.42%
ROE	12.99%
Current Ratio	1.48
Total Debt Ratio	0.25
Interest Coverage	10.80
Assets Turnover	1.07

Source: Company data, Sofia International Securities Equity Research

Shareholder Structure

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

Share Price of Sopharma (3JR BU)


Source: Bloomberg, Sofia International Securities Equity Research

Future seems bright for Sopharma after Q1 results

Sopharma's top-line recovery continues in full swing as the group reported consolidated revenues for first quarter in the amount of BGN 239.7m, up by 11.1% on annual basis. Distribution segment, which accounts for over 70% of total sales, grew by 10.55% to BGN 174.3m, while Production segment posted even more impressive growth, adding 12.5% YoY in sales and reaching BGN 65.39m.

Sales in the largest product segment – Tablets – soared by 17.26% YoY in Q1 2017 reaching BGN 127.7m after the reported contraction of 1.4% in FY 2016. On the other hand, Ampules segment, which generates another 22.3% of the Group's total revenues, still couldn't pare the downward trend and sank by 1.76% YoY to BGN 53.6m in the first three months of the year.

In view of geographic segments, Sopharma reported that its domestic revenues grew by 8% YoY while revenues from other European markets, including, among others, Russia and Ukraine, jumped by 18% reflecting the improved conditions on these markets.

Total operating expenses (excl. change in inventories) added 8.4% on annual basis to BGN 224.1m on growth in nearly all expense categories. Expectedly, costs associated with book value of assets sold increased by 8.8% YoY to BGN 154m, while expenses for materials added 7.1% to BGN 25m.

Sopharma posted consolidated operating profit in the amount of BGN 21.47m, up by 39.1% on annual basis. EBIT margin improved to 9% from 7.2% reported a year ago. With net financial expenses cut by half, pre-tax profit jumped by 67.5% to BGN 20.58m.

Balance sheet didn't undergo any significant change during the first three months of the year. Most notably, total liabilities toward financial institutions shrank further to BGN 214.5m in total.

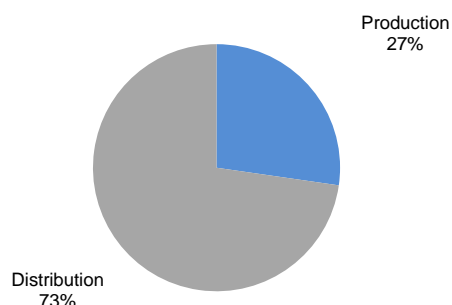
The first quarter was busy in terms of corporate activity: Financial Supervision commission approved Sopharma's tender offer towards the minority shareholders of Unipharm (59X BU) and also its plans to merge with another of its subsidiaries – Medika (5MA BU).

The company's management proposed the distribution of an annual dividend for 2016 in the amount of BGN 0.10 per share, up from BGN 0.07 distributed in 2015. The annual GSM will be held on 2 June 2017.

Selected Financials	2015	2016	2016	2017
BGN '000	FY	FY	1Q	1Q
Revenues	874 984.0	877 085.0	215 812.0	239 728.0
Revenues YoY	4.10%	0.24%	-2.62%	11.08%
EBIT	36 440.0	44 951.0	15 437.0	21 466.0
EBIT Margin	4.16%	5.13%	7.15%	8.95%
Net Income	21 314.0	50 638.0	10 442.0	17 002.0
Net Margin	2.58%	6.26%	4.80%	7.59%
PP&E	315 005.0	321 215.0	312 217.0	318 000.0
Trade Receivables	205 589.0	215 583.0	210 824.0	219 190.0
Inventories	163 129.0	171 791.0	166 719.0	167 717.0
Total assets	835 627.0	859 221.0	832 251.0	858 356.0
Equity	457 640.0	491 223.0	456 196.0	509 437.0
Non-Current Debt	40 833.0	28 506.0	35 334.0	26 102.0
Current Debt	205 569.0	200 353.0	208 193.0	187 175.0
Trade Payables	87 440.0	92 053.0	89 137.0	86 867.0

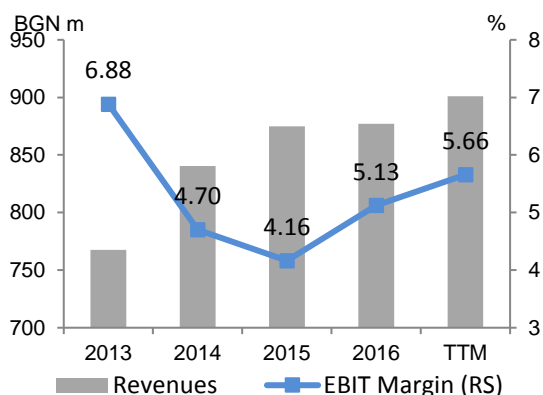
Source: Company data, Sofia International Securities Equity Research

Sales by segments in Q1'17



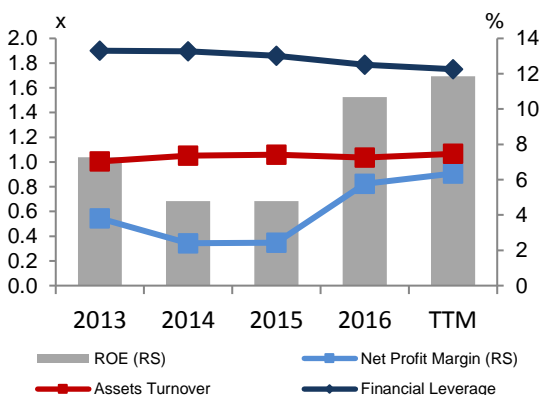
Source: Company data, Sofia International Securities Equity Research

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
Revenues	874 984.0	877 085.0	215 812.0	239 728.0
Expenses	-813 747.0	-811 918.0	-199 924.0	-216 869.0
EBITDA	62 766.0	73 656.0	22 237.0	28 700.0
Depreciation	-26 326.0	-28 705.0	-6 800.0	-7 234.0
EBIT	36 440.0	44 951.0	15 437.0	21 466.0
Net financial result	-14 812.0	-5 707.0	-2 639.0	-1 225.0
t/o interest expense	-9 277.0	-10 125.0	-2 219.0	-1 988.0
EBT	27 575.0	62 109.0	12 289.0	20 578.0
Taxes	-4 975.0	-7 207.0	-1 925.0	-2 394.0
Net Income (before minorities)	22 600.0	54 902.0	10 364.0	18 184.0
Minorities	1 286.0	4 264.0	-78.0	1 182.0
Net Income	21 314.0	50 638.0	10 442.0	17 002.0

Balance sheet

PP&E	315 005.0	321 215.0	312 217.0	318 000.0
Intangibles	35 502.0	44 486.0	35 353.0	44 410.0
Other Non-Current Assets	50 977.0	50 898.0	41 034.0	54 858.0
Non-Current Assets	401 484.0	416 599.0	388 604.0	417 268.0
Inventories	163 129.0	171 791.0	166 719.0	167 717.0
Trade Receivables	205 589.0	215 583.0	210 824.0	219 190.0
Cash & Cash Equivalents	23 486.0	22 539.0	25 168.0	24 269.0
Other Current Assets	41 939.0	32 709.0	40 936.0	29 912.0
Current Assets	434 143.0	442 622.0	443 647.0	441 088.0
Total Assets	835 627.0	859 221.0	832 251.0	858 356.0
Equity	457 640.0	491 223.0	456 196.0	509 437.0
Non-Current Debt	40 833.0	28 506.0	35 334.0	26 102.0
Other Non-Current Liabilities	21 659.0	25 336.0	22 285.0	25 042.0
Non-Current Liabilities	62 492.0	53 842.0	57 619.0	51 144.0
Trade Payables	87 440.0	92 053.0	89 137.0	86 867.0
Current Debt	205 569.0	200 353.0	208 193.0	187 175.0
Other Current Liabilities	22 486.0	21 750.0	21 106.0	23 733.0
Current Liabilities	315 495.0	314 156.0	318 436.0	297 775.0
Total Equity and Liabilities	835 627.0	859 221.0	832 251.0	858 356.0

Cash Flow Statement

Cashflow from Operations	67 310.0	-68 768.0	-12 904.0	-11 413.0
Cashflow from Investments	-32 899.0	-6 862.0	-5 778.0	-6 794.0
t/o Capex	-17 353.0	-13 484.0	-2 529.0	-2 833.0
Cashflow from Financing	-36 596.0	74 855.0	20 357.0	19 939.0
Net Cash	-2 185.0	-775.0	1 675.0	1 732.0

Source: Company data, Sofia International Securities Equity Research

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