

**Trace Group (T57 BU)**
**Share Data**

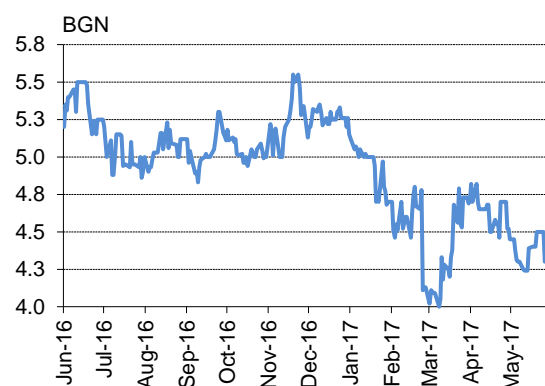
Price	4.30
52 weeks Price Change	-20.37%
52 weeks Price Range	4 - 5.55
Market Cap (BGN)	104 041 609
Market Cap (EUR)	53 195 630
Shares outstanding	24 195 723
DPS	0.1474
Dividend yield	3.43%
EPS	-0.50
Sales per share	10.90
Book value per share	3.80
FCF per share	0.37
P/E	n/a
P/S	0.39
P/B	1.13
EV/Sales	0.36
EV/EBITDA	n/a
ROA	-4.91%
ROE	-12.06%
Current Ratio	1.07
Total Debt Ratio	0.05
Interest Coverage	n/a
Assets Turnover	1.15

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

**Losses mount despite some modest sales recovery**

After taking a hit in 2016, consolidated revenues of Trace Group Hold grew by 0.4% YoY in the first quarter of 2017 to BGN 36.58m. The result, albeit positive, fell slightly short of the management's projections for net revenues of BGN 37m.

Sales in the major Construction & Engineering segment rose by 4.7% YoY to BGN 34.58m, outpacing the forecast for 1.77% growth. Revenues from sale of production and finished goods posted significant double-digit declines but as they account for less than 6% of the company's top-line their impact was limited.

Total operating expenses (excl. change in inventories and capitalized own work) rose by 2.5% on annual basis to BGN 38.36m on growth in external services expenses. Higher payments to subcontractors drove this cost category to BGN 22.8m, up by 33.4% on annual basis. On the other hand, expenses for materials were cut by 31.2% to BGN 5.98m.

As a result, Trace reported operating loss in the amount of 1.07m in the first quarter of 2017, compared to loss of BGN 0.87m for the same period of 2016.

After-tax loss for Q1 2017 reached BGN 2m or BGN 0.08 per share.

Total assets shrank by BGN 26.7m since the beginning of the year to BGN 215m, mostly on drop in short-term receivables and cash balances. On the other hand, financial liabilities grew slightly to BGN 11.5m as of the end of March but the group's total debt ratio still remains at a very low level (5.4%).

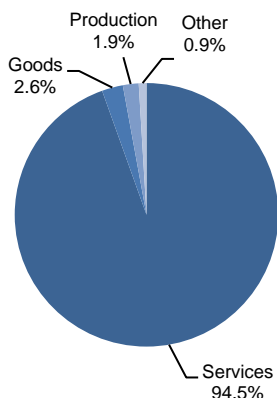
The annual general shareholders meeting will be held on 16 June 2017. The management did not propose specific amount for the 2016 dividend and left it to the discretion of the shareholders, who can make their proposals during the meeting. The amount of distributable income is BGN 5.16m, unspecified part of which will go to the company's reserve fund.

Despite the positive start of 2017, Trace's management warned for further slump in revenues in Q2 as 6-month sales are expected to drop by nearly 9% on annual basis.

<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	482 911.0	263 518.0	36 440.0	36 584.0
Sales YoY	40.17%	-45.43%	-22.85%	0.40%
EBIT	14 249.0	-9 947.0	-873.0	-1 073.0
EBIT Margin	2.95%	-3.77%	-2.40%	-2.93%
Net Income	9 673.0	-10 646.0	-1 364.0	-1 994.0
Net Margin	2.00%	-4.04%	-3.74%	-5.45%
PP&E	74 398.0	76 081.0	73 282.0	75 301.0
Trade Receivables	167 408.0	94 866.0	106 491.0	81 382.0
Inventories	9 484.0	10 467.0	7 981.0	11 016.0
Total assets	362 001.0	241 700.0	244 040.0	215 025.0
Equity	108 504.0	94 216.0	107 155.0	92 209.0
Non-Current Debt	2 245.0	3 256.0	2 307.0	3 244.0
Current Debt	4 902.0	5 402.0	6 232.0	8 272.0
Trade Payables	204 279.0	115 134.0	101 673.0	90 368.0

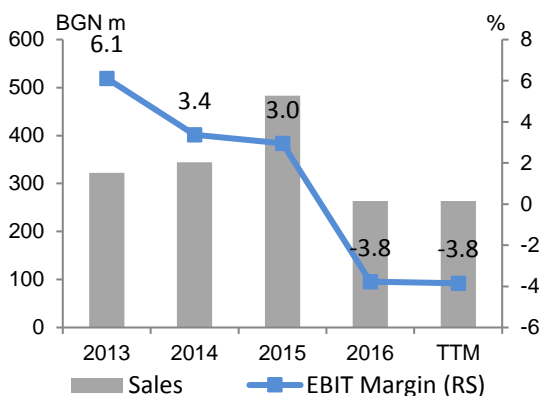
Source: Company data, Sofia International Securities Equity Research

### Sales by segments in Q1 2017



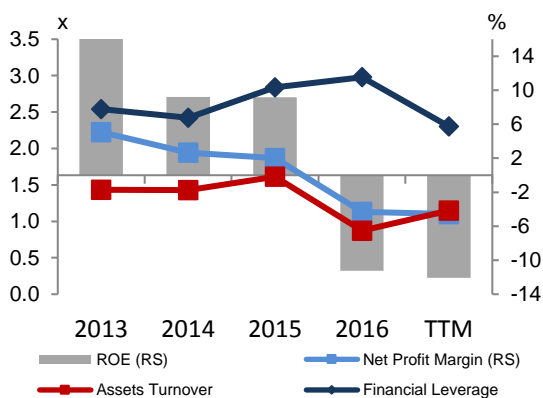
Source: Company data, Sofia International Securities Equity Research

### 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	2015	2016	2016	2017
BGN '000	FY	FY	1Q	1Q
<b>Sales</b>	<b>482 911.0</b>	<b>263 518.0</b>	<b>36 440.0</b>	<b>36 584.0</b>
Operating costs	-447 457.0	-259 289.0	-33 904.0	-36 109.0
<b>EBITDA</b>	<b>21 468.0</b>	<b>-2 904.0</b>	<b>861.0</b>	<b>105.0</b>
Depreciation	-7 219.0	-7 043.0	-1 734.0	-1 178.0
<b>EBIT</b>	<b>14 249.0</b>	<b>-9 947.0</b>	<b>-873.0</b>	<b>-1 073.0</b>
Net financial result	-2 407.0	-1 983.0	-573.0	-556.0
t/o interest expense	-1 110.0	-640.0	-146.0	-188.0
<b>EBT</b>	<b>12 105.0</b>	<b>-10 646.0</b>	<b>-1 207.0</b>	<b>-1 915.0</b>
Taxes	-2 432.0	0.0	-157.0	-79.0
<b>Net Income</b>	<b>9 673.0</b>	<b>-10 646.0</b>	<b>-1 364.0</b>	<b>-1 994.0</b>
Minorities	-10.0	731.0	-9.0	4.0
<b>Net Income after minorities</b>	<b>9 683.0</b>	<b>-11 377.0</b>	<b>-1 355.0</b>	<b>-1 998.0</b>

### Balance sheet

PP&E	74 398.0	76 081.0	73 282.0	75 301.0
Intangibles	2 103.0	1 987.0	2 080.0	1 962.0
Other Non-Current Aassets	21 345.0	19 656.0	21 753.0	18 211.0
<b>Non-Current Assets</b>	<b>97 846.0</b>	<b>97 724.0</b>	<b>97 115.0</b>	<b>95 474.0</b>
Inventories	9 484.0	10 467.0	7 981.0	11 016.0
Trade Receivables	167 408.0	94 866.0	106 491.0	81 382.0
Cash & Cash Equivalents	83 288.0	32 845.0	29 105.0	22 188.0
Other Current Assets	3 975.0	5 798.0	3 348.0	4 965.0
<b>Current Assets</b>	<b>264 155.0</b>	<b>143 976.0</b>	<b>146 925.0</b>	<b>119 551.0</b>
<b>Total Assets</b>	<b>362 001.0</b>	<b>241 700.0</b>	<b>244 040.0</b>	<b>215 025.0</b>
<b>Equity</b>	<b>108 504.0</b>	<b>94 216.0</b>	<b>107 155.0</b>	<b>92 209.0</b>
Non-Current Debt	2 245.0	3 256.0	2 307.0	3 244.0
Other Non-Current Liabilities	6 885.0	7 313.0	6 926.0	7 593.0
<b>Non-Current Liabilities</b>	<b>9 130.0</b>	<b>10 569.0</b>	<b>9 233.0</b>	<b>10 837.0</b>
Trade Payables	204 279.0	115 134.0	101 673.0	90 368.0
Current Debt	4 902.0	5 402.0	6 232.0	8 272.0
Other Current Liabilities	35 186.0	16 379.0	19 747.0	13 339.0
<b>Current Liabilities</b>	<b>244 367.0</b>	<b>136 915.0</b>	<b>127 652.0</b>	<b>111 979.0</b>
<b>Total Equity and Liabilities</b>	<b>362 001.0</b>	<b>241 700.0</b>	<b>244 040.0</b>	<b>215 025.0</b>

### Cash Flow Statement

Cashflow from Operations	60 140.0	-44 095.0	-54 535.0	-12 705.0
Cashflow from Investments	-10 589.0	-4 018.0	-579.0	-154.0
t/o Capex	-6 201.0	-3 208.0	-604.0	-167.0
Cashflow from Financing	-4 008.0	-2 247.0	994.0	2 202.0
<b>Net Cash</b>	<b>45 543.0</b>	<b>-50 360.0</b>	<b>-54 120.0</b>	<b>-10 657.0</b>

Source: Company data, Sofia International Securities Equity Research

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