

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

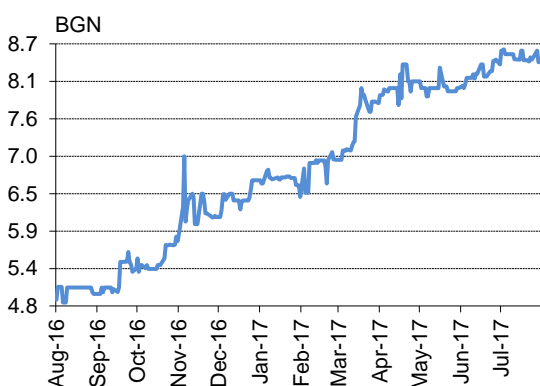
Price	8.38
52 weeks Price Change	64.35%
52 weeks Price Range	4.85 - 8.57
Market Cap (BGN)	327 182 016
Market Cap (EUR)	167 285 508
Shares outstanding	39 043 200
DPS	0.26
Dividend yield	3.10%
EPS	0.33
Sales per share	2.50
Book value per share	1.69
FCF per share	0.48
P/E	25.50
P/S	3.35
P/B	4.95
EV/Sales	3.14
EV/EBITDA	14.34
ROA	14.60%
ROE	19.68%
Current Ratio	2.21
Total Debt Ratio	0.001
Interest Coverage	n.a.
Assets Turnover	1.11

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**

After the strong first quarter, M+S Hydraulic sales continued to accelerate gaining 11.2% YoY in the period between April and June and 8.5% year-to-date to BGN 52.86m as of 30 June. Export sales, which traditionally account for over 80% of total revenues grew by 6.4% YoY in the first six months of the year to BGN 43.8m. Domestic sales, although much smaller in volume, are showing impressive potential increasing by 19.35% to BGN 8.8m.

As reported, company's total operating expenses (excl. change in inventories and book value of assets sold) also increased at faster pace, going up by 11.1% on annual basis to BGN 45.02m. Growing sales pushed cost of materials up by 10.1% YoY to BGN 24.5m. Personnel expenses also was among the fastest growing cost categories as remuneration and social security expenses rose by 17% to BGN 13.05m.

As a result, operating profit of M+S Hydraulic for the first six months of 2017 reached BGN 8.67m, up by 2.8% on annual basis. Operating margin, however, contracted by 0.9 percentage points 16.4%.

Being at a very low level, net financial expenses had little impact on pre-tax income, which amounted to BGN 8.56m (+2.1% YoY) as of the end of the quarter.

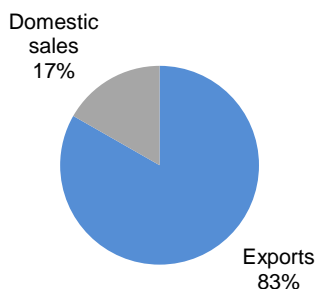
Company's total assets kept growing during the second quarter as well, reaching BGN 90.94m as of 30 June. The main driver behind it was the growth in short-term assets: current trade receivables jumped by 11.4% (+BGN 1.97m) on quarterly basis and 44.3% (+BGN 5.9m) since the beginning of the year. Meanwhile, cash position of the company was reinforced by strong operating cash flows during the period and reached BGN 20.69m or 22.8% of all assets.

The company's management remains optimistic about the results in the upcoming months. Net sales in July are expected to grow by 14.2% YoY and YTD results – by 9.8% to BGN 62.7m in total.

<b>Selected Financials</b>	<b>2015</b>	<b>2016</b>	<b>2016</b>	<b>2017</b>
BGN '000	FY	FY	1H	1H
Sales	86 433.0	93 527.0	48 725.0	52 855.0
Sales YoY	-3.67%	8.21%	2.95%	8.48%
EBIT	10 882.0	14 174.0	8 432.0	8 667.0
EBIT Margin	12.59%	15.15%	17.31%	16.40%
Net Income	9 725.0	12 672.0	7 543.0	7 704.0
Net Margin	11.25%	13.55%	15.48%	14.58%
PP&E	33 560.0	33 434.0	31 329.0	32 038.0
Trade Receivables	12 207.0	13 346.0	18 830.0	19 259.0
Inventories	9 759.0	10 787.0	9 417.0	11 011.0
Total assets	75 604.0	80 696.0	84 903.0	90 939.0
Equity	66 123.0	69 485.2	64 347.0	66 088.0
Non-Current Debt	0.0	82.0	110.0	82.0
Current Debt	166.0	29.0	12.0	17.0
Trade Payables	6 474.0	7 255.0	16 610.0	19 800.0

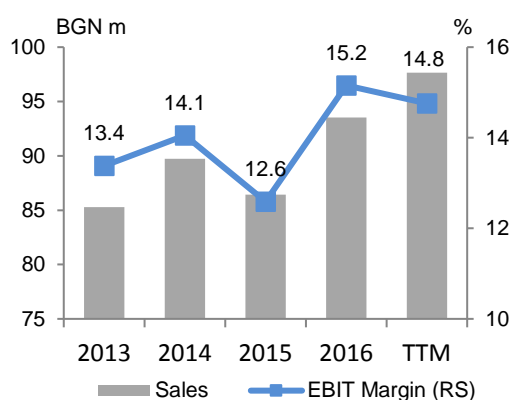
Source: Company data, Sofia International Securities Equity Research

### Sales by segments in Q2 2017



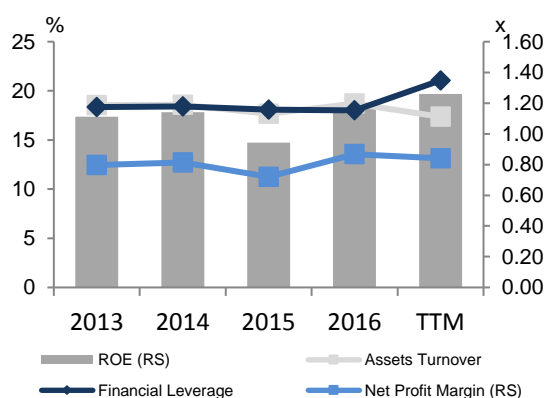
Source: Company data, Sofia International Securities Equity Research

### 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	1H	1H
<b>Sales</b>	<b>86 433.0</b>	<b>93 527.0</b>	<b>48 725.0</b>	<b>52 855.0</b>
Operating costs	-68 575.0	-73 327.0	-37 048.0	-41 383.0
<b>EBITDA</b>	<b>17 685.0</b>	<b>20 983.0</b>	<b>11 899.0</b>	<b>12 300.0</b>
Depreciation	-6 803.0	-6 809.0	-3 467.0	-3 633.0
<b>EBIT</b>	<b>10 882.0</b>	<b>14 174.0</b>	<b>8 432.0</b>	<b>8 667.0</b>
Net financial result	-83.0	-81.0	-51.0	-107.0
t/o interest expense	-13.0	-5.0	-2.0	-3.0
<b>EBT</b>	<b>10 799.0</b>	<b>14 093.0</b>	<b>8 381.0</b>	<b>8 560.0</b>
Taxes	-1 074.0	-1 421.0	-838.0	-856.0
<b>Net Income</b>	<b>9 725.0</b>	<b>12 672.0</b>	<b>7 543.0</b>	<b>7 704.0</b>
Minorities	0.0	0.0	0.0	0.0
<b>Net Income after minorities</b>	<b>9 725.0</b>	<b>12 672.0</b>	<b>7 543.0</b>	<b>7 704.0</b>

### Balance sheet

PP&E	33 560.0	33 434.0	31 329.0	32 038.0
Intangibles	109.0	212.0	134.0	147.0
Other Non-Current Aassets	4 207.0	4 206.0	4 207.0	4 695.0
<b>Non-Current Assets</b>	<b>37 876.0</b>	<b>37 852.0</b>	<b>35 670.0</b>	<b>36 880.0</b>
Inventories	9 759.0	10 787.0	9 417.0	11 011.0
Trade Receivables	12 207.0	13 346.0	18 830.0	19 259.0
Cash & Cash Equivalents	13 656.0	16 637.0	18 216.0	20 690.0
Other Current Assets	2 106.0	2 074.0	2 770.0	3 099.0
<b>Current Assets</b>	<b>37 728.0</b>	<b>42 844.0</b>	<b>49 233.0</b>	<b>54 059.0</b>
<b>Total Assets</b>	<b>75 604.0</b>	<b>80 696.0</b>	<b>84 903.0</b>	<b>90 939.0</b>
<b>Equity</b>	<b>66 123.0</b>	<b>69 485.2</b>	<b>64 347.0</b>	<b>66 088.0</b>
Non-Current Debt	0.0	82.0	110.0	82.0
Other Non-Current Liabilities	322.0	293.0	322.0	293.0
<b>Non-Current Liabilities</b>	<b>322.0</b>	<b>375.0</b>	<b>432.0</b>	<b>375.0</b>
Trade Payables	6 474.0	7 255.0	16 610.0	19 800.0
Current Debt	166.0	29.0	12.0	17.0
Other Current Liabilities	2 519.0	3 552.0	3 502.0	4 659.0
<b>Current Liabilities</b>	<b>9 159.0</b>	<b>10 836.0</b>	<b>20 124.0</b>	<b>24 476.0</b>
<b>Total Equity and Liabilities</b>	<b>75 604.0</b>	<b>80 696.2</b>	<b>84 903.0</b>	<b>90 939.0</b>

### Cash Flow Statement

Cashflow from Operations	17 563.0	18 142.0	7 107.0	8 290.0
Cashflow from Investments	-8 668.0	-6 374.0	-2 317.0	-4 203.0
t/o Capex	-10 367.0	-6 384.0	-2 317.0	-3 715.0
Cashflow from Financing	-9 277.0	-8 787.0	-230.0	-34.0
<b>Net Cash</b>	<b>-382.0</b>	<b>2 981.0</b>	<b>4 560.0</b>	<b>4 053.0</b>

Source: Company data, Sofia International Securities Equity Research

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