

28-Jul-17
Neochim (3NB BU)
Share Data

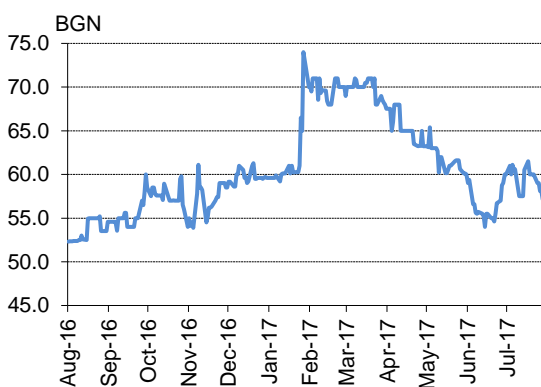
Price	57.11
52 weeks Price Change	5.47%
52 weeks Price Range	52.311 - 74
Market Cap (BGN)	147 684 404
Market Cap (EUR)	75 509 837
Number of shares out.	2 585 964
DPS	1.30
Dividend yield	2.28%
EPS	7.45
Sales per share	84.00
Book value per share	46.04
FCF per share	10.64
P/E	7.67
P/S	0.68
P/B	1.24
EV/Sales	0.70
EV/EBITDA	4.16
ROA	13.18%
ROE	17.32%
Current Ratio	3.19
Total Debt Ratio	0.07
Interest Coverage	59.20
Assets Turnover	1.49

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

Neochim sales show signs of recovery in Q2 but effect on the bottom line remains to be seen

As evident from Neochim's interim results for the first 6 months of the year, the company managed to decelerate the slump in its sales during the second quarter of the year. The revenue generated between April and June amounted to BGN 56.05m, up by 10.7% on annual basis. For the first half of the year, Neochim sales reached BGN 123.62m, marking an annual decrease of 16%.

The partial recovery comes on stronger export sales, which rose to BGN 63.67m (+17.5% YoY) as of the end of June, whereas European markets contributed the most to this recovery. Domestic sales, however, went down by 35.5% on annual basis to BGN 59.95m.

Sales in ammonium nitrate – the company's flagship product – decreased by 18.06% YoY to BGN 101.9m on lower domestic demand.

The company reported BGN 119.06 in operating expenses (excl. change in inventories) for the first half of the year, down by 4.07% on annual basis. Expenses for materials fell by 7.4% to BGN 87.95 m, while decrease in personnel expenses was more modest – 1.2% to BGN 12.61m. External services expenses, however, grew by 29% YoY to BGN 11.25m on higher transportation costs.

Overall, total operating profit fell by 30.4% to BGN 20.72m, dragging EBIT margin down to 16.8% from 20.2% posted a year ago. Falling interest expenses had little impact on the bottom line and Neochim reported net profit in the amount of BGN 20.37m for the period.

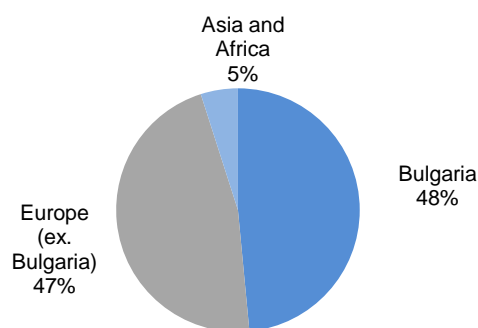
Total assets fell to BGN 146.87m as of 30 June on significant reduction in the company's cash balances. Save for this, inventories and trade receivables were growing during the second quarter, adding BGN 9.04m and BGN 5.75m respectively, over the past three months.

On liabilities' side, Neochim has significantly reduced its bank debt since the beginning of the year. Total bank liabilities fell to BGN 9.75m, compared to BGN 27.14m at the end of 2016 and BGN 18.94m as of 30 June 2016. This had positive impact on solvency measures: Total Debt-to-Equity ratio fell from 0.19 to 0.08, whereas Net Debt-to-EBITDA shrank from 0.81 to 0.22 over the one-year period.

Selected Financials	2015	2016	2016	2017
BGN '000	FY	FY	1H	1H
Sales	285 123.0	240 717.0	147 120.0	123 617.0
Sales YoY	22.00%	-15.57%	-12.54%	-15.98%
EBIT	9 185.0	32 296.0	29 773.0	20 719.0
EBIT Margin	3.2%	13.4%	20.2%	16.8%
Net Income	4 519.0	28 027.0	29 135.0	20 369.0
Net Margin	1.6%	11.6%	19.8%	16.5%
PP&E	98 999.0	91 600.0	96 545.0	87 385.0
Trade Receivables	1 513.0	2 635.0	1 668.0	8 534.0
Inventories	26 216.0	24 498.0	32 791.0	38 375.0
Total assets	132 517.0	175 130.0	145 427.0	146 871.0
Equity	76 304.0	102 044.0	103 371.0	119 051.0
Non-Current Debt	13 553.0	6 990.0	14 603.0	6 976.0
Current Debt	12 160.0	20 149.0	4 562.0	2 771.0
Trade Payables	11 150.0	13 550.0	3 518.0	6 960.0

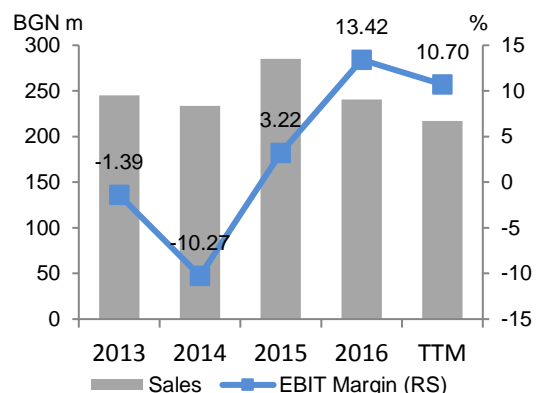
Source: Company data, Sofia International Securities Equity Research

Sales breakdown for H1 2017



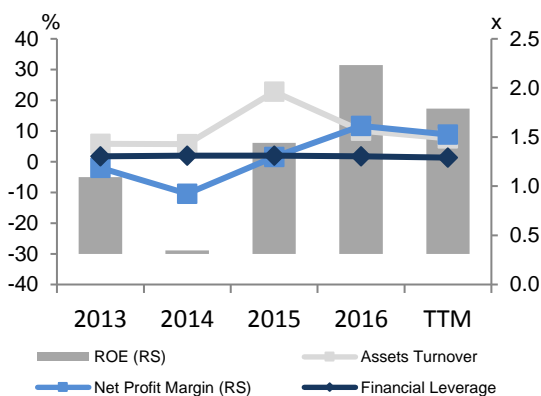
Source: Company data, Sofia International Securities Equity Research

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
Sales	285 123.0	240 717.0	147 120.0	123 617.0
Operating costs	-266 515.0	-197 201.0	-118 168.0	-113 433.0
EBITDA	20 265.0	46 056.0	35 715.0	26 342.0
Depreciation	-11 080.0	-11 707.0	-5 942.0	-5 623.0
EBIT	9 185.0	32 296.0	29 773.0	20 719.0
Net financial result	-1 872.0	-1 136.0	-638.0	-350.0
t/o interest expense	-2 012.0	-1 136.0	-638.0	-350.0
EBT	5 966.0	31 160.0	29 135.0	20 369.0
Taxes	-1 447.0	-3 133.0	0.0	0.0
Net Income	4 519.0	28 027.0	29 135.0	20 369.0
Minorities	0.0	0.0	0.0	0.0
Net Income after minorities	4 519.0	28 027.0	29 135.0	20 369.0

Balance sheet

PP&E	98 999.0	91 600.0	96 545.0	87 385.0
Intangibles	190.0	206.0	259.0	198.0
Other Non-Current Assets	689.0	92.0	689.0	92.0
Non-Current Assets	99 878.0	91 898.0	97 493.0	87 675.0
Inventories	26 216.0	24 498.0	32 791.0	38 375.0
Trade Receivables	1 513.0	2 635.0	1 668.0	8 534.0
Cash & Cash Equivalents	560.0	52 644.0	7 715.0	4 982.0
Other Current Assets	4 350.0	3 455.0	5 760.0	7 305.0
Current Assets	32 639.0	83 232.0	47 934.0	59 196.0
Total Assets	132 517.0	175 130.0	145 427.0	146 871.0
Equity	76 304.0	102 044.0	103 371.0	119 051.0
Non-Current Debt	13 553.0	6 990.0	14 603.0	6 976.0
Other Non-Current Liabilities	2 024.0	2 271.0	1 800.0	2 271.0
Non-Current Liabilities	15 577.0	9 261.0	16 403.0	9 247.0
Trade Payables	11 150.0	13 550.0	3 518.0	6 960.0
Current Debt	12 160.0	20 149.0	4 562.0	2 771.0
Other Current Liabilities	17 326.0	30 126.0	17 573.0	8 842.0
Current Liabilities	40 636.0	63 825.0	25 653.0	18 573.0
Total Equity and Liabilities	132 517.0	175 130.0	145 427.0	146 871.0

Cash Flow Statement

Cashflow from Operations	21 875.0	56 881.0	17 515.0	-28 775.0
Cashflow from Investments	-5 767.0	-5 365.0	-3 031.0	-1 147.0
t/o Capex	-4 385.0	-5 365.0	-3 031.0	-1 147.0
Cashflow from Financing	-15 910.0	684.0	-7 329.0	-17 740.0
Net Cash	198.0	52 200.0	7 155.0	-47 662.0

Source: Company data, Sofia International Securities Equity Research

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