

Sopharma (3JR BU)
Share Data

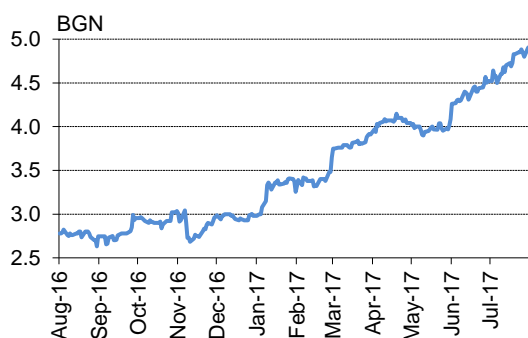
Price	4.91
52 weeks Price Change	78.62%
52 weeks Price Range	2.631 - 4.912
Market Cap (BGN)	635 006 040
Market Cap (EUR)	324 673 433
Shares outstanding	129 276 474
DPS	0.10
Dividend yield	2.04%
EPS	0.28
Sales per share	1.38
Book value per share	3.73
FCF per share	0.16
P/E	17.81
P/S	3.56
P/B	1.32
EV/Sales	4.15
EV/EBITDA	14.52
ROA	5.87%
ROE	7.59%
Current Ratio	1.93
Total Debt Ratio	0.17
Interest Coverage	40.42
Assets Turnover	0.29

Source: Company data, Sofia International Securities Equity Research

Shareholder Structure

Donev Investments Holding	25.14%
Telekomplekt Invest	20.41%
Rompharm Company	18.04%
MUPF Allianz Bulgaria	5.17%
Treasury shares	4.08%
Free Float	27.16%

Source: Company data, Sofia International Securities Equity Research

Share Price of Sopharma (3JR BU)


Source: Bloomberg, Sofia International Securities Equity Research

Key markets rebound continues in Q2 2017 pushing revenues up by 18%

Sopharma reported unconsolidated revenues in the amount of BGN 93.31m for the first half of the year, up by 18.2% on annual basis. The sales realized between April and June alone were BGN 46.73m, which represents 24.8% increase over the results achieved in the same period last year.

The notable rebound comes on the continuing improvement in export sales, which grew by 30.4% YoY in the first six months of 2017 to BGN 60.28m. Sales on Russian and Ukrainian markets were exceptionally strong, adding 32% and 34% respectively and confirming the recovery trends on these important export markets. Domestic sales also rose, albeit much more moderate, gaining 0.97% YoY to BGN 33.02m. This comes after the company reported a contraction by 4.1% in revenue generated at home in the previous quarter and underpins once again the broad-based recovery in Sopharma's sales that we have been observing since end-2016.

As for the individual segments' performance, tablet-form medicines remain the key revenue driver for Sopharma and its share in total sales climbed to 68.6% as of 30 June. Revenues from this segment increased by 21.2% on annual basis to BGN 64.04m, whereby this growth was supported mostly by export markets. Ampules, the second largest product category, generated BGN 15.67m in sales for the first half of the year, up by 10.2% YoY.

The company reported BGN 76.9m in operating expenses (excl. change in inventories), up by 8.3% on annual basis. Almost all cost categories were growing during the period, with external services expenses rising the most to BGN 17.27m (+16.2%). Expenses for materials increased by 6.3% to BGN 31.6m.

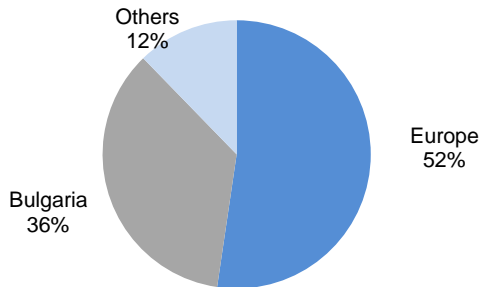
Overall, Sopharma's operating profit surged by 72.6% to BGN 24.7m, with EBIT margin improving to 26.5% (H1 2016: 18.1%). However, with financial income reduced by half (mostly on slump in net profit from dealings with securities), net profit actually fell – going down by 6.3% on annual basis to BGN 31.64m.

The second quarter was rich in corporate events for Sopharma. The Financial Supervision Commission approved the company's tender offer for the minority stake in Unipharm (59X BU) and the merger agreement with Medika (5MA BU). The company also acquired 51% of the Moldovan distributor RAP Pharma International for an undisclosed amount.

Selected Financials	2015	2016	2016	2017
BGN '000	FY	FY	1H	1H
Sales	173 803.0	163 827.0	78 930.0	93 307.0
Sales YoY	-13.73%	-5.74%	-10.31%	18.21%
EBIT	25 137.0	20 707.0	14 310.0	24 698.0
EBIT Margin	14.46%	12.64%	18.13%	26.47%
Net Income	25 354.0	37 770.0	33 758.0	31 642.0
Net Margin	14.59%	23.05%	42.77%	33.91%
PP&E	211 943.0	209 326.0	209 665.0	205 876.0
Trade Receivables	21 466.0	22 479.0	16 232.0	26 580.0
Inventories	61 701.0	56 807.0	62 978.0	63 300.0
Total assets	570 609.0	569 108.0	581 751.0	632 274.0
Equity	431 626.0	462 875.0	456 343.0	482 538.0
Non-Current Debt	30 822.0	23 844.0	27 436.0	20 284.0
Current Debt	76 341.0	55 476.0	61 749.0	86 318.0
Trade Payables	8 014.0	4 712.0	3 607.0	5 498.0

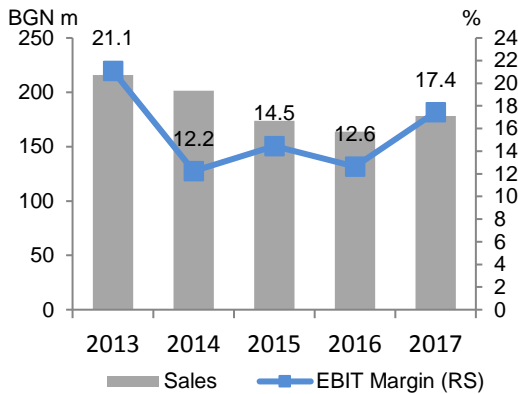
Source: Company data, Sofia International Securities Equity Research

Sales by segments in H1 2017



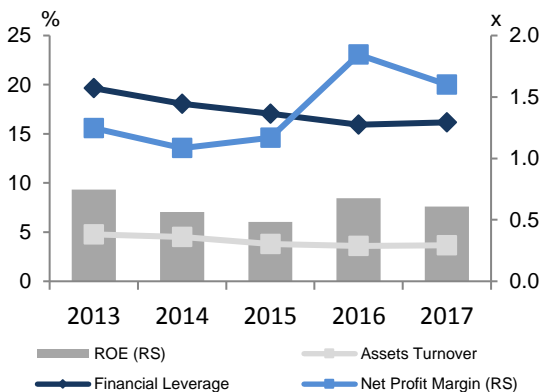
Source: Company data, Sofia International Securities Equity Research

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	173 803.0	163 827.0	78 930.0	93 307.0
Operating costs	-144 435.0	-128 127.0	-64 002.0	-69 583.0
EBITDA	39 686.0	40 253.0	21 318.0	32 048.0
Depreciation	-14 549.0	-13 919.0	-7 008.0	-7 350.0
EBIT	25 137.0	20 707.0	14 310.0	24 698.0
Net financial result	11 610.0	20 982.0	20 923.0	9 507.0
t/o interest expense	-3 510.0	-2 065.0	-1 148.0	-611.0
EBT	28 180.0	41 689.0	35 233.0	34 205.0
Taxes	-2 826.0	-3 919.0	-1 475.0	-2 563.0
Net Income	25 354.0	37 770.0	33 758.0	31 642.0
Minorities	0.0	0.0	0.0	0.0
Net Income after minorities	25 354.0	37 770.0	33 758.0	31 642.0

Balance sheet

PP&E	211 943.0	209 326.0	209 665.0	205 876.0
Intangibles	2 507.0	2 177.0	2 362.0	2 494.0
Other Non-Current Assets	184 331.0	195 596.0	182 178.0	201 383.0
Non-Current Assets	398 781.0	407 099.0	394 205.0	409 753.0
Inventories	61 701.0	56 807.0	62 978.0	63 300.0
Trade Receivables	21 466.0	22 479.0	16 232.0	26 580.0
Cash & Cash Equivalents	3 745.0	4 343.0	4 741.0	1 498.0
Other Current Assets	84 916.0	78 380.0	103 595.0	131 143.0
Current Assets	171 828.0	162 009.0	187 546.0	222 521.0
Total Assets	570 609.0	569 108.0	581 751.0	632 274.0
Equity	431 626.0	462 875.0	456 343.0	482 538.0
Non-Current Debt	30 822.0	23 844.0	27 436.0	20 284.0
Other Non-Current Liabilities	13 494.0	14 218.0	13 990.0	14 343.0
Non-Current Liabilities	44 316.0	38 062.0	41 426.0	34 627.0
Trade Payables	8 014.0	4 712.0	3 607.0	5 498.0
Current Debt	76 341.0	55 476.0	61 749.0	86 318.0
Other Current Liabilities	10 312.0	7 983.0	18 626.0	23 293.0
Current Liabilities	94 667.0	68 171.0	83 982.0	115 109.0
Total Equity and Liabilities	570 609.0	569 108.0	581 751.0	632 274.0

Cash Flow Statement

Cashflow from Operations	28 398.0	26 636.0	10 798.0	11 449.0
Cashflow from Investments	-410.0	12 891.0	8 499.0	-42 045.0
Cashflow from Investtr	-410.0	12 891.0	8 499.0	-42 045.0
Cashflow from Financing	-27 721.0	-38 929.0	-18 301.0	27 751.0
Net Cash	267.0	598.0	996.0	-2 845.0

Source: Company data, Sofia International Securities Equity Research

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