

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

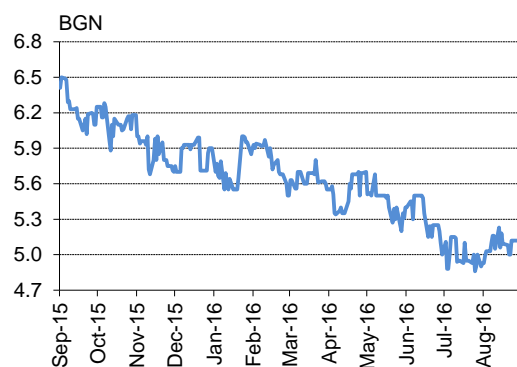
Price	5.12
52 weeks Price Change	-19.37%
52 weeks Price Range	4.86 - 6.5
Market Cap (BGN)	123 904 000
Market Cap (EUR)	63 351 109
Shares outstanding	24 200 000
DPS	0.147
Dividend yield	2.88%
EPS	0.06
Sales per share	18.39
Book value per share	4.19
FCF per share	0.55
P/E	82.44
P/S	0.28
P/B	1.22
EV/Sales	0.26
EV/EBITDA	8.06
ROA	0.87%
ROE	2.17%
Current Ratio	1.10
Total Debt Ratio	0.04
Interest Coverage	n.a
Assets Turnover	1.74

Source: Company data, Sofia International Securities Equity Research

**Shareholder Structure**

Nikolay Mihaylov	64.96%
Galini-N EOOD	9.00%
Free Float	26.04%

Source: Company data, Sofia International Securities Equity Research

**Share Price of Trace Group (T57 BU)**


Source: Bloomberg, Sofia International Securities Equity Research

**Weak revenues continue to hurt profitability in the second quarter of 2016**

Trace Group Hold's consolidated revenues fell by 27.1% YoY to BGN 102.1m in the first half of 2016 prolonging the drop observed in the previous quarter. Most notably, revenues from construction and engineering works, which traditionally account for more than 90% of the group's total revenues, fell by 27.86% on annual basis to BGN 92.7m. Despite the significant drop, however, the top-line results remain better than management's expectations for H1 2016, which were for a slump of 32.15% YoY.

Total operating expenses declined in a similar fashion to BGN 104.26m or by 22.91% on annual basis. Expectedly, expenses for external services fell significantly by 36.38% YoY to BGN 50.33m, driven down by much lower sub-contractor costs. Expenses for materials also went down sinking by 11.1% to BGN 28.5m. Personnel expenses, however, jumped by 9.2% YoY to BGN 16.3m.

As a result, the group reported operating loss in the amount of BGN 2.14m compared to a profit of BGN 4.76m for the same period of the previous year.

With net financial expenses increasing by 28.4% on annual basis, Trace Group Hold extended its reported net loss to BGN 3.29m in Q2.

Total assets fell by BGN 114.95m (or 31.75% YTD) on sizable drop in current assets. Trade receivables fell by BGN 51.33m over the first six months of the year to BGN 116.08m. Cash position of the group decreased more than 4 times to BGN 17.9m on significant cash outflows for operating activities.

On liabilities' side, trade payables were also reduced significantly to BGN 111.04m from BGN 204.3m at the beginning of the year. Finance liabilities grew by BGN 3.26m over the first six months of the year to BGN 10.4m in total.

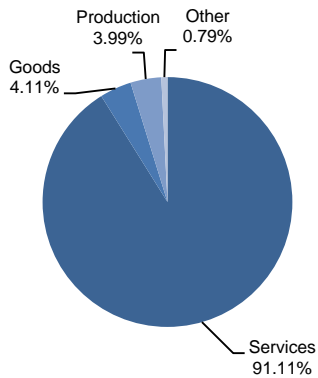
The management expects revenue drop to slightly accelerate in Q3 2016 as expected net revenues as of September are in the amount of BGN 165m or 33.88% lower than the results reported a year ago.

Trace Group Hold will distribute an annual dividend for 2015 in the amount of BGN 0.1474 per share. The decision for this was made on the annual shareholders meeting held on 22 June 2016.

<b>Selected Financials</b>	<b>2014</b>	<b>2015</b>	<b>2015</b>	<b>2016</b>
BGN '000	FY	FY	1H	1H
Sales	344 512.0	482 911.0	140 005.0	102 123.0
Sales YoY	6.82%	40.17%	-8.34%	-27.06%
EBIT	11 603.0	14 249.0	4 759.0	-2 136.0
EBIT Margin	3.37%	2.95%	3.40%	-2.09%
Net Income	9 211.0	9 673.0	4 161.0	-3 285.0
Net Margin	2.67%	2.00%	2.97%	-3.22%
PP&E	68 545.0	74 398.0	73 961.0	74 811.0
Trade Receivables	96 595.0	167 408.0	139 073.0	116 083.0
Inventories	8 012.0	9 484.0	10 018.0	9 948.0
Total assets	236 899.0	362 001.0	264 510.0	247 049.0
Equity	102 346.0	108 504.0	103 128.0	101 686.0
Non-Current Debt	1 532.0	2 245.0	1 405.0	2 781.0
Current Debt	7 141.0	4 902.0	11 972.0	7 621.0
Trade Payables	107 010.0	204 279.0	130 298.0	111 039.0

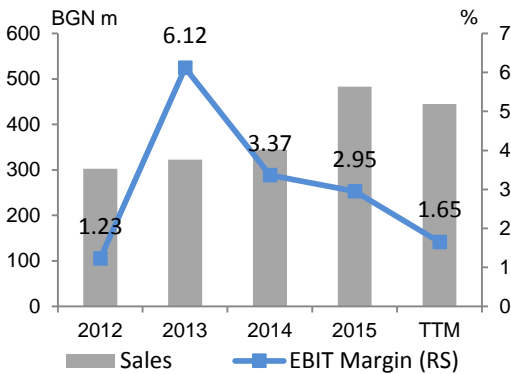
Source: Company data, Sofia International Securities Equity Research

### Sales by segments in Q2 2016



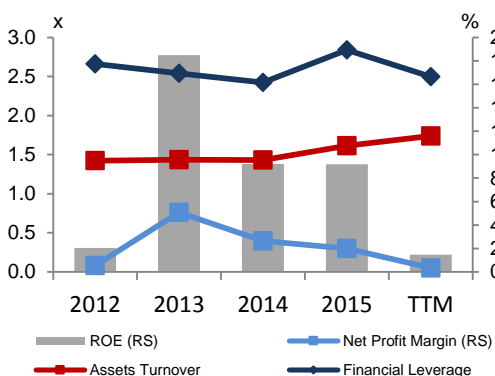
Source: Company data, Sofia International Securities Equity Research

### 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	2014	2015	2015	2016
BGN '000	FY	FY	1H	1H
<b>Sales</b>	<b>344 512.0</b>	<b>482 911.0</b>	<b>140 005.0</b>	<b>102 123.0</b>
Operating costs	-307 112.0	-447 457.0	-127 674.0	-96 842.0
<b>EBITDA</b>	<b>18 685.0</b>	<b>21 468.0</b>	<b>8 319.0</b>	<b>1 337.0</b>
Depreciation	-7 082.0	-7 219.0	-3 560.0	-3 473.0
<b>EBIT</b>	<b>11 603.0</b>	<b>14 249.0</b>	<b>4 759.0</b>	<b>-2 136.0</b>
Net financial result	-1 216.0	-2 407.0	-788.0	-1 012.0
t/o interest expense	-2 237.0	-1 110.0	-980.0	-264.0
<b>EBT</b>	<b>10 997.0</b>	<b>12 105.0</b>	<b>4 609.0</b>	<b>-1 973.0</b>
Taxes	-1 786.0	-2 432.0	-448.0	-1 312.0
<b>Net Income</b>	<b>9 211.0</b>	<b>9 673.0</b>	<b>4 161.0</b>	<b>-3 285.0</b>
Minorities	68.0	-10.0	-40.0	694.0
<b>Net Income after minorities</b>	<b>9 143.0</b>	<b>9 683.0</b>	<b>4 201.0</b>	<b>-3 979.0</b>

### Balance sheet

PP&E	68 545.0	74 398.0	73 961.0	74 811.0
Intangibles	1 992.0	2 103.0	2 073.0	2 048.0
Other Non-Current Assets	20 399.0	21 345.0	18 697.0	22 022.0
<b>Non-Current Assets</b>	<b>90 936.0</b>	<b>97 846.0</b>	<b>94 731.0</b>	<b>98 881.0</b>
Inventories	8 012.0	9 484.0	10 018.0	9 948.0
Trade Receivables	96 595.0	167 408.0	139 073.0	116 083.0
Cash & Cash Equivalents	37 767.0	83 288.0	14 768.0	17 911.0
Other Current Assets	3 589.0	3 975.0	5 920.0	4 226.0
<b>Current Assets</b>	<b>145 963.0</b>	<b>264 155.0</b>	<b>169 779.0</b>	<b>148 168.0</b>
<b>Total Assets</b>	<b>236 899.0</b>	<b>362 001.0</b>	<b>264 510.0</b>	<b>247 049.0</b>
<b>Equity</b>	<b>102 346.0</b>	<b>108 504.0</b>	<b>103 128.0</b>	<b>101 686.0</b>
Non-Current Debt	1 532.0	2 245.0	1 405.0	2 781.0
Other Non-Current Liabilities	7 911.0	6 885.0	7 039.0	7 475.0
<b>Non-Current Liabilities</b>	<b>9 443.0</b>	<b>9 130.0</b>	<b>8 444.0</b>	<b>10 256.0</b>
Trade Payables	107 010.0	204 279.0	130 298.0	111 039.0
Current Debt	7 141.0	4 902.0	11 972.0	7 621.0
Other Current Liabilities	10 959.0	35 186.0	10 668.0	16 447.0
<b>Current Liabilities</b>	<b>125 110.0</b>	<b>244 367.0</b>	<b>152 938.0</b>	<b>135 107.0</b>
<b>Total Equity and Liabilities</b>	<b>236 899.0</b>	<b>362 001.0</b>	<b>264 510.0</b>	<b>247 049.0</b>

### Cash Flow Statement

Cashflow from Operations	10 679.0	60 140.0	-20 738.0	-64 484.0
Cashflow from Investments	-11 055.0	-10 589.0	-6 444.0	-2 702.0
t/o Capex	-3 355.0	-6 201.0	-1 673.0	-2 082.0
Cashflow from Financing	-6 063.0	-4 008.0	4 203.0	1 851.0
<b>Net Cash</b>	<b>-6 439.0</b>	<b>45 543.0</b>	<b>-22 979.0</b>	<b>-65 335.0</b>

Source: Company data, Sofia International Securities Equity Research

## Sofia International Securities

Equity Research

Tel: +359 2 988 63 40

Fax: +359 2 937 98 77

E-mail: info@sis.bg

Mihaela Ranchinska

Equity Analyst

[ranchinska@sis.bg](mailto:ranchinska@sis.bg)

Ivaylo Tomov

Executive Director

[tomov@sis.bg](mailto:tomov@sis.bg)

### Disclaimers and Required Disclosures

The research and the recommendations in this report have been prepared and reviewed by:

**Mihaela Ranchinska**  
Equity Analyst  
ranchinska@sis.bg

**Ivaylo Tomov**  
Executive Director  
tomov@sis.bg

The individuals responsible for the preparation of this report certify that they have not received nor will receive compensation in exchange for expressing specific views or recommendations in this report. Sofia International Securities AD and the individuals responsible for this report accept no liability whatsoever for any losses arising from the use of information or opinions expressed in this report.

Sofia International Securities AD is a member of Bulgarian Stock Exchange (BSE) and the Central Depository of Bulgaria. The company provides brokerage, investment banking, equity research, portfolio management and other services. Sofia International Securities AD is regulated by the Financial Supervision Commission of Bulgaria.

Sofia International Securities is not registered as a broker or dealer with the Securities and Exchange Commission or NASD in the United States of America and the information may be distributed in the US only to individuals who by acceptance hereof confirm that they represent "major institutional investors" as defined in Regulation 15a-16 of the Securities Exchange Act of 1934.

Any opinions expressed in this report are subject to change without notice and Sofia International Securities is not under any obligation to update or keep current the information contained herein. Any opinions expressed in this report are only correct as of the stated date of their issue.

This report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. The report is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. The report is based on information obtained from sources believed to be reliable but is not guaranteed as being accurate, nor is it a complete statement or summary of the securities, markets or developments referred to in the report. The report should not be regarded by recipients as a substitute for the exercise of their own judgment.

Sofia International Securities does not own shares of the company that is subject of this report. The individuals who are responsible for the preparation of this report do not own shares of the company that is subject of the report. Sofia International Securities is not a market maker in the securities that are subject of this report. Sofia International Securities do not provide any corporate finance or other services to the company that is subject of this report. However, Sofia International Securities may seek to provide such services in the future.

Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. Sofia International Securities accepts no liability whatsoever for any loss or damage of any kind arising out of the use of all or any part of this report. Additional information will be made available upon request.

For more detailed information about the company, please contact our research department.

© 2015 - 2016. All rights reserved. No part of this report may be reproduced or distributed in any manner without the written permission of Sofia International Securities.

**Sofia International Securities**  
1000 Sofia  
140, Georgi S. Rakovski St., fl. 4  
Tel.: + 359 2 988 63 40  
Fax: + 359 2 937 98 70