

**Sopharma (3JR BU)**
**Share Data**

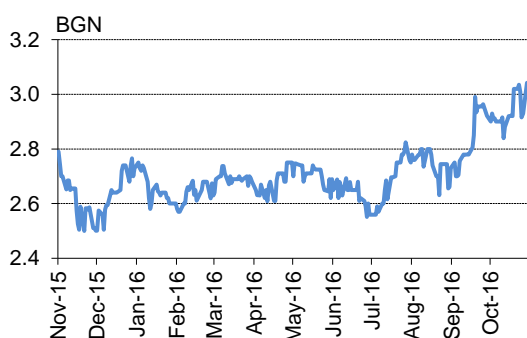
Price	3.04
52 weeks Price Change	7.72%
52 weeks Price Range	2.5 - 3.042
Market Cap (BGN)	410 055 209
Market Cap (EUR)	209 657 899
Shares outstanding	134 797 899
DPS	0.07
Dividend yield	2.30%
EPS	0.25
Sales per share	1.26
Book value per share	3.40
FCF per share	0.40
P/E	11.93
P/S	2.41
P/B	0.89
EV/Sales	2.90
EV/EBITDA	11.71
ROA	5.88%
ROE	7.70%
Current Ratio	2.37
Total Debt Ratio	0.15
Interest Coverage	12.88
Assets Turnover	0.29

Source: Company data, Sofia International Securities Equity Research

**Shareholder Structure**

Donev Investments Holding	24.75%
Telekomplekt Invest	20.15%
Rompharm Company	18.04%
Treasury stocks	4.16%
Free Float	32.90%

Source: Company data, Sofia International Securities Equity Research

**Share Price of Sopharma (3JR BU)**


Source: Bloomberg, Sofia International Securities Equity Research

**Net profit goes up by 32% YoY despite the drop in revenues**

In Q3 2016, Sopharma reported net revenues on individual basis in the amount of BGN 118.85m, posting an annual drop of 2.9%. Export sales, which amounted to BGN 71.66m, showed signs of recovery, as the annual slump was limited to 5.47%. Revenues generated on domestic market rose by 1.25 % YoY to BGN 47.19m.

Revenues from European markets fell by 2.54% YoY to BGN 59m as sales in Russia, Belarus, Serbia and Poland decreased. On the other hand, activities in Ukraine, Romania and Croatia improved. Sales on markets outside Europe went down by 17.1% YoY to BGN 12.65m but as they account for less than 10% of Sopharma's top line, the impact was not that significant.

Looking at the individual segments' performance, various product groups showed mostly negative performance. Of all major segments, only Tablets posted growth, albeit modest, by 2% YoY to BGN 81.97m. Ampules, which generate 16.4% of the company's total revenues, fell by 14.8% YoY.

Total operating expenses (excl. change in inventories), were cut by 14.3% YoY to BGN 99.45m. Expenses for materials fell by 14% to BGN 38.27m and external services expenses slumped even more pronouncedly – by 26.7% to BGN 22.97m.

Sopharma posted operating profit in the amount of BGN 19.89m, up by 18.8% on annual basis. EBIT margin improved by 4 p.p. over the last year's reading, to 16.7%.

Net financial income rose to BGN 20.3m as the company reposted significant growth in profit from dealing with securities. With these positive developments, after-tax profit in the first nine months of the year jumped by 32% to BGN 37.02m.

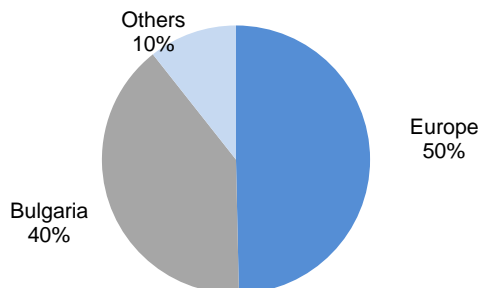
Sopharma's total assets grew slightly to BGN 574.6m (on individual basis). Total bank liabilities sank by BGN 21.95m YTD to 85.2m. Thus, total debt ratio fell to 14.8%.

The Board of Directors of Sopharma decided to pursue full ownership stake in the local pharmaceutical producer Veta Pharma AD. The target company produces medical products, nutritional supplements and cosmetics. The negotiations of the terms of the acquisition are still ongoing.

<b>Selected Financials</b>	<b>2014</b>	<b>2015</b>	<b>2015</b>	<b>2016</b>
BGN '000	FY	FY	9M	9M
Sales	201 461.0	173 803.0	122 412.0	118 845.0
Sales YoY	-6.75%	-13.73%	-18.39%	-2.91%
EBIT	24 661.0	25 137.0	16 743.0	19 892.0
EBIT Margin	12.24%	14.46%	13.68%	16.74%
Net Income	27 291.0	25 354.0	28 001.0	37 015.0
Net Margin	13.55%	14.59%	22.87%	31.15%
PP&E	211 056.0	211 943.0	209 654.0	208 956.0
Trade Receivables	23 397.0	21 466.0	27 955.0	19 231.0
Inventories	57 360.0	61 701.0	65 998.0	59 110.0
Total assets	571 917.0	570 609.0	594 090.0	574 641.0
Equity	406 524.0	431 626.0	434 568.0	458 507.0
Non-Current Debt	38 006.0	30 822.0	32 591.0	25 640.0
Current Debt	98 192.0	76 341.0	99 592.0	59 570.0
Trade Payables	7 909.0	8 014.0	5 322.0	4 029.0

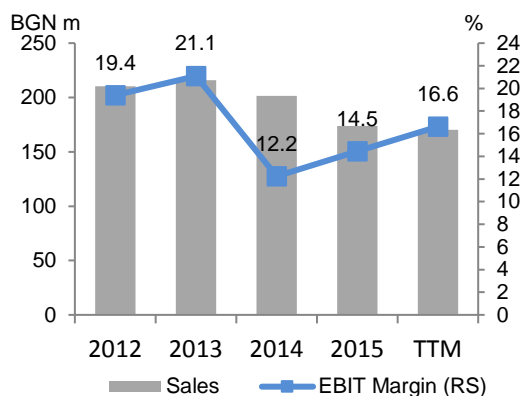
Source: Company data, Sofia International Securities Equity Research

### Sales by segments in Q3'2016



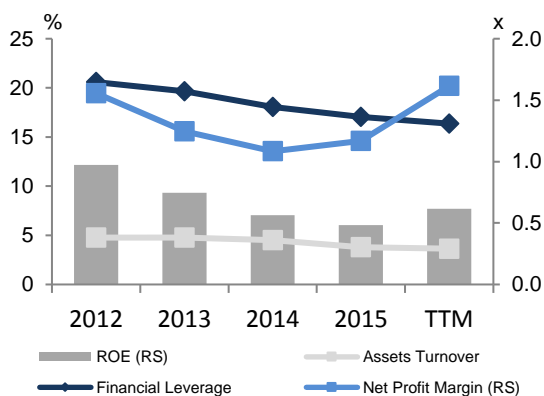
Source: Company data, Sofia International Securities Equity Research

### 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	9M	9M
<b>Sales</b>	<b>201 461.0</b>	<b>173 803.0</b>	<b>122 412.0</b>	<b>118 845.0</b>
Operating costs	-177 823.0	-144 435.0	-104 961.0	-88 992.0
<b>EBITDA</b>	<b>41 650.0</b>	<b>39 686.0</b>	<b>27 866.0</b>	<b>30 345.0</b>
Depreciation	-16 989.0	-14 549.0	-11 123.0	-10 453.0
<b>EBIT</b>	<b>24 661.0</b>	<b>25 137.0</b>	<b>16 743.0</b>	<b>19 892.0</b>
Net financial result	8 311.0	11 610.0	14 366.0	20 302.0
t/o interest expense	-4 344.0	-3 510.0	-2 846.0	-1 544.0
<b>EBT</b>	<b>29 720.0</b>	<b>28 180.0</b>	<b>31 109.0</b>	<b>40 194.0</b>
Taxes	-2 429.0	-2 826.0	-3 108.0	-3 179.0
<b>Net Income</b>	<b>27 291.0</b>	<b>25 354.0</b>	<b>28 001.0</b>	<b>37 015.0</b>
Minorities	0.0	0.0	0.0	0.0
<b>Net Income after minorities</b>	<b>27 291.0</b>	<b>25 354.0</b>	<b>28 001.0</b>	<b>37 015.0</b>

Balance sheet	2014	2015	2015	2016
PP&E	211 056.0	211 943.0	209 654.0	208 956.0
Intangibles	3 210.0	2 507.0	2 516.0	2 387.0
Other Non-Current Assets	161 412.0	184 331.0	195 526.0	182 335.0
<b>Non-Current Assets</b>	<b>375 678.0</b>	<b>398 781.0</b>	<b>407 696.0</b>	<b>393 678.0</b>
Inventories	57 360.0	61 701.0	65 998.0	59 110.0
Trade Receivables	23 397.0	21 466.0	27 955.0	19 231.0
Cash & Cash Equivalents	4 076.0	3 745.0	2 843.0	1 686.0
Other Current Assets	111 406.0	84 916.0	89 598.0	100 936.0
<b>Current Assets</b>	<b>196 239.0</b>	<b>171 828.0</b>	<b>186 394.0</b>	<b>180 963.0</b>
<b>Total Assets</b>	<b>571 917.0</b>	<b>570 609.0</b>	<b>594 090.0</b>	<b>574 641.0</b>
<b>Equity</b>	<b>406 524.0</b>	<b>431 626.0</b>	<b>434 568.0</b>	<b>458 507.0</b>
Non-Current Debt	38 006.0	30 822.0	32 591.0	25 640.0
Other Non-Current Liabilities	10 479.0	13 494.0	11 544.0	14 248.0
<b>Non-Current Liabilities</b>	<b>48 485.0</b>	<b>44 316.0</b>	<b>44 135.0</b>	<b>39 888.0</b>
Trade Payables	7 909.0	8 014.0	5 322.0	4 029.0
Current Debt	98 192.0	76 341.0	99 592.0	59 570.0
Other Current Liabilities	10 807.0	10 312.0	10 473.0	12 647.0
<b>Current Liabilities</b>	<b>116 908.0</b>	<b>94 667.0</b>	<b>115 387.0</b>	<b>76 246.0</b>
<b>Total Equity and Liabilities</b>	<b>571 917.0</b>	<b>570 609.0</b>	<b>594 090.0</b>	<b>574 641.0</b>

Cash Flow Statement	2014	2015	2015	2016
Cashflow from Operations	31 533.0	28 398.0	2 598.0	6 247.0
Cashflow from Investments	-12 018.0	-410.0	1 368.0	20 036.0
Cashflow from Investr	-12 018.0	-410.0	1 368.0	20 036.0
Cashflow from Financing	-24 730.0	-27 721.0	-5 250.0	-28 342.0
<b>Net Cash</b>	<b>-5 215.0</b>	<b>267.0</b>	<b>-1 284.0</b>	<b>-2 059.0</b>

Source: Company data, Sofia International Securities Equity Research

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