

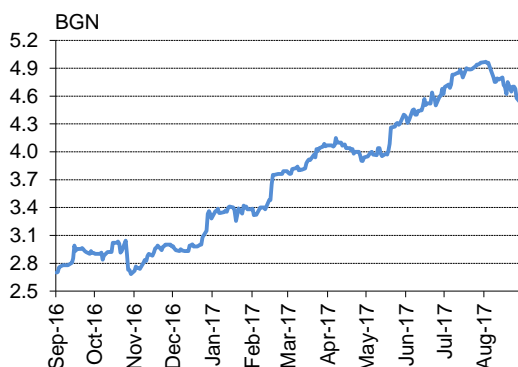
Sopharma (3JR BU)
Share Data

Price	4.53
52 weeks Price Change	64.73%
52 weeks Price Range	2.683 - 4.97
Market Cap (BGN)	585 044 898
Market Cap (EUR)	299 128 706
Shares outstanding	129 148 984
DPS	0.10
Dividend yield	2.21%
EPS	0.41
Sales per share	7.15
Book value per share	3.67
FCF per share	0.28
P/E	10.99
P/S	0.63
P/B	1.23
EV/Sales	0.92
EV/EBITDA	9.76
ROA	6.78%
ROE	12.23%
Current Ratio	1.39
Total Debt Ratio	0.28
Interest Coverage	8.55
Assets Turnover	1.07

Source: Company data, Sofia International Securities Equity Research

Shareholder Structure

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

Share Price of Sopharma (3JR BU)


Source: Bloomberg, Sofia International Securities Equity Research

Revenue growth remains steady in the second quarter of 2017

Sopharma's top-line recovery remains steady in the second quarter of 2017, as consolidated revenues increased to BGN 470.3m for the first six months of the year, adding 11% YoY. Between April and June alone, the Group boosted its revenue to BGN 230.57m or 10.9% higher than the results reported for the same period of 2016. Distribution segment grew by the healthy 9.76% YoY to BGN 346m, while Production segment accelerated its growth further in 2017 jumping by 14.57% on annual basis to BGN 124.29m.

Sales in the largest product segment – Tablets - continued with its strong performance in Q2 growing by 20.1% YoY altogether in the first six months of the year to BGN 255m. On the other hand, sales in the Ampoules segment plunged further to BGN 103.73m, down by 3.66% on annual basis.

The Group reported that its domestic sales, which account for 72% of total sales, grew by 10% YoY in the first half of the year. Sales on European markets grew by 13% over the same period.

Total operating expenses (excl. change in inventories) increased by 8.35% on annual basis to BGN 445.34m on strong growth in book value of assets sold and personnel expenses. Expenses for materials went up by 5.3% YoY since the beginning of the year to BGN 45.69m.

As a result, consolidated operating profit in H1 2017 jumped by 52.9% YoY to BGN 33.74m and EBIT margin expanded to 7.2% compared to 5.2% reported for the same period in 2016.

The Group's financial income rose notably on higher net gains from dealings with securities, while financial expenses fell on lower interest expenses. Sopharma reported net profit from share in profit of associates and joint ventures in the amount of BGN 1.34m, which boosted EBT further to BGN 34.27m as of 30 June 2017.

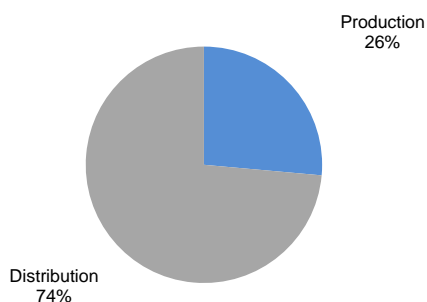
Total assets as of 30 June amounted to BGN 904.67m, up from BGN 858.36m in Q1. The growth comes entirely on the increase in short-term assets, most notably in inventories and receivables from related parties. On liabilities' side, current liabilities also increased, reaching BGN 352.8m. Current borrowing went up on new loan utilization pushing up D/E ratio slightly up to 0.5.

In August Sopharma officially completed the merger with its subsidiary Medika.

Selected Financials	2015	2016	2016	2017
BGN '000	FY	FY	1H	1H
Revenues	874 984.0	877 085.0	423 732.0	470 300.0
Revenues YoY	4.10%	0.24%	-3.44%	10.99%
EBIT	36 440.0	44 951.0	22 075.0	33 743.0
EBIT Margin	4.16%	5.13%	5.21%	7.17%
Net Income	21 314.0	50 638.0	26 304.0	28 909.0
Net Margin	2.58%	6.26%	6.20%	6.38%
PP&E	315 005.0	321 215.0	306 401.0	316 146.0
Trade Receivables	205 589.0	215 583.0	212 245.0	219 856.0
Inventories	163 129.0	171 791.0	163 496.0	181 263.0
Total assets	835 627.0	859 221.0	825 246.0	904 672.0
Equity	457 640.0	491 223.0	456 369.0	502 406.0
Non-Current Debt	40 833.0	28 506.0	32 532.0	24 056.0
Current Debt	205 569.0	200 353.0	198 543.0	228 409.0
Trade Payables	87 440.0	92 053.0	80 816.0	85 230.0

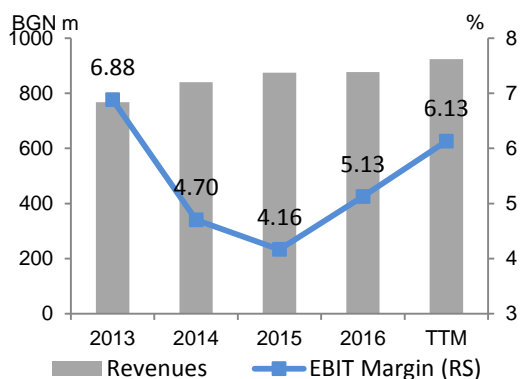
Source: Company data, Sofia International Securities Equity Research

Sales by segments in Q2'17



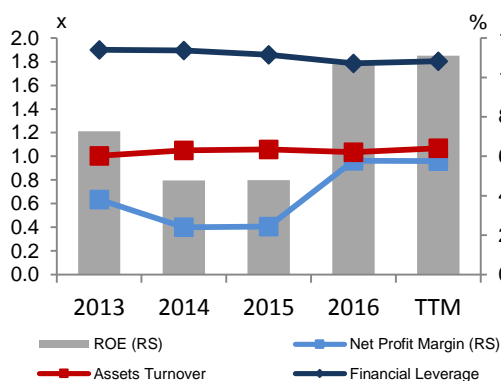
Source: Company data, Sofia International Securities Equity Research

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
Revenues	874 984.0	877 085.0	423 732.0	470 300.0
Expenses	-813 747.0	-811 918.0	-397 531.0	-430 277.0
EBITDA	62 766.0	73 656.0	35 542.0	48 802.0
Depreciation	-26 326.0	-28 705.0	-13 467.0	-15 059.0
EBIT	36 440.0	44 951.0	22 075.0	33 743.0
Net financial result	-14 812.0	-5 707.0	-3 814.0	-818.0
t/o interest expense	-9 277.0	-10 125.0	-5 109.0	-3 947.0
EBT	27 575.0	62 109.0	29 123.0	34 269.0
Taxes	-4 975.0	-7 207.0	-2 870.0	-4 276.0
Net Income (before minority)	22 600.0	54 902.0	26 253.0	29 993.0
Minorities	1 286.0	4 264.0	-51.0	1 084.0
Net Income	21 314.0	50 638.0	26 304.0	28 909.0

Balance sheet

PP&E	315 005.0	321 215.0	306 401.0	316 146.0
Intangibles	35 502.0	44 486.0	35 151.0	47 659.0
Other Non-Current Assets	50 977.0	50 898.0	41 814.0	51 353.0
Non-Current Assets	401 484.0	416 599.0	383 366.0	415 158.0
Inventories	163 129.0	171 791.0	163 496.0	181 263.0
Trade Receivables	205 589.0	215 583.0	212 245.0	219 856.0
Cash & Cash Equivalents	23 486.0	22 539.0	27 103.0	17 289.0
Other Current Assets	41 939.0	32 709.0	39 036.0	71 106.0
Current Assets	434 143.0	442 622.0	441 880.0	489 514.0
Total Assets	835 627.0	859 221.0	825 246.0	904 672.0
Equity	457 640.0	491 223.0	456 369.0	502 406.0
Non-Current Debt	40 833.0	28 506.0	32 532.0	24 056.0
Other Non-Current Liabilities	21 659.0	25 336.0	22 594.0	25 411.0
Non-Current Liabilities	62 492.0	53 842.0	55 126.0	49 467.0
Trade Payables	87 440.0	92 053.0	80 816.0	85 230.0
Current Debt	205 569.0	200 353.0	198 543.0	228 409.0
Other Current Liabilities	22 486.0	21 750.0	34 392.0	39 160.0
Current Liabilities	315 495.0	314 156.0	313 751.0	352 799.0
Total Equity and Liabilities	835 627.0	859 221.0	825 246.0	904 672.0

Cash Flow Statement

Cashflow from Operations	67 310.0	-68 768.0	-32 050.0	-47 332.0
Cashflow from Investments	-32 899.0	-6 862.0	2 816.0	-48 565.0
t/o Capex	-17 353.0	-13 484.0	-6 454.0	-6 676.0
Cashflow from Financing	-36 596.0	74 855.0	32 832.0	90 655.0
Net Cash	-2 185.0	-775.0	3 598.0	-5 242.0

Source: Company data, Sofia International Securities Equity Research

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