

Trace Group (T57 BU)
Share Data

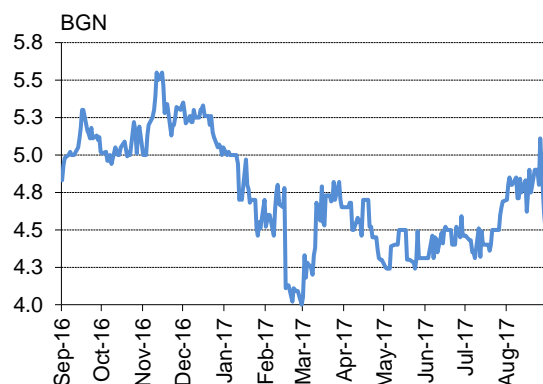
Price	4.50
52 weeks Price Change	-7.98%
52 weeks Price Range	4 - 5.55
Market Cap (BGN)	108 900 000
Market Cap (EUR)	55 679 686
Shares outstanding	24 200 000
DPS	0.0000
Dividend yield	0.00%
EPS	-0.46
Sales per share	10.55
Book value per share	3.73
FCF per share	-1.62
P/E	n/a
P/S	0.43
P/B	1.21
EV/Sales	0.40
EV/EBITDA	n/a
ROA	-4.62%
ROE	-11.48%
Current Ratio	1.06
Total Debt Ratio	0.06
Interest Coverage	n/a
Assets Turnover	1.07

Source: Company data, Sofia International Securities Equity Research

Shareholder Structure

Nikolay Mihaylov	66.97%
Galini-N EOOD	9.00%
Treasury shares	0.00%
Free float	24.03%

Source: Company data, Sofia International Securities Equity Research

Share Price of Trace Group (T57 BU)


Source: Bloomberg, Sofia International Securities Equity Research

Return to shrinking sales put new pressure on bottom line

After the short respite in the first quarter of 2017, Trace Group's revenues returned on the downward trajectory, falling by 12.8% YoY in Q2. On half-year basis, the group reported revenues in the amount of BGN 93.86m, down by 8.1% YoY. The results were slightly better than the management's projections for the first half of 2017, although revenue from the major Construction & Engineering segment fell short of the forecast.

This segment, which traditionally accounts for more than 90% of total revenues, contracted by 5.8% on annual basis in the first 6 months of the year as related revenues fell to BGN 87.65m. Declines were posted in the other revenue lines as well.

Total operating expenses (excl. change in inventories and capitalized own work) fell by 6.89% YoY. Expenses for materials were cut by 26.7% to BGN 20.9m and personnel expenses – by 16.6% to BGN 13.45m. External services expenses, on the other hand, were growing, adding 4.5% on annual basis to BGN 52.58m as cost of hiring subcontractors and equipment rose during the period.

As a result, Trace reported operating loss in the amount of 2.59m in the first half of 2017, higher by 21.2% than the last year's reading for the same period. Despite falling net interest expenses, realized losses from associate companies pushed EBT even deeper into negative territory, to BGN 3.39m. After-tax loss reached BGN 3.67m.

The Group added 7% in total assets in the second quarter alone. Non-current assets were stable during the period, whereas current assets grew by BGN 15.5m between April and June to BGN 135m in total, most notably on the increase in trade receivables.

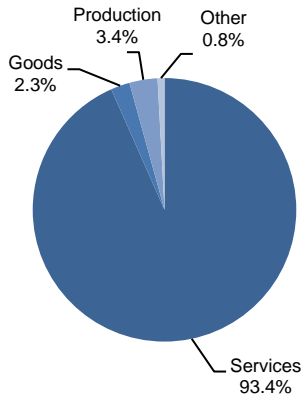
Shareholders did not cast their vote for the distribution of annual dividend for 2016 on the shareholders meeting held on 16 June 2017 as the Financial Supervision Commission prohibited the voting on this item on the agenda.

Management expects revenues to return to growth in Q3, pushing top-line for 9m 2017 up by 6.22% YoY.

Selected Financials	2015	2016	2016	2017
BGN '000	FY	FY	1H	1H
Sales	482 911.0	263 518.0	102 123.0	93 860.0
Sales YoY	40.17%	-45.43%	-27.06%	-8.09%
EBIT	14 249.0	-9 947.0	-2 136.0	-2 589.0
EBIT Margin	2.95%	-3.77%	-2.09%	-2.76%
Net Income	9 673.0	-10 646.0	-3 285.0	-3 670.0
Net Margin	2.00%	-4.04%	-3.22%	-3.91%
PP&E	74 398.0	76 081.0	74 811.0	74 815.0
Trade Receivables	167 408.0	94 866.0	116 083.0	96 012.0
Inventories	9 484.0	10 467.0	9 948.0	13 619.0
Total assets	362 001.0	241 700.0	247 049.0	230 260.0
Equity	108 504.0	94 216.0	101 686.0	90 525.0
Non-Current Debt	2 245.0	3 256.0	2 781.0	3 579.0
Current Debt	4 902.0	5 402.0	7 621.0	9 695.0
Trade Payables	204 279.0	115 134.0	111 039.0	103 477.0

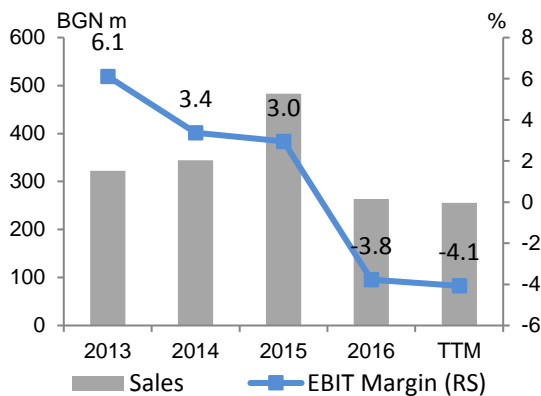
Source: Company data, Sofia International Securities Equity Research

Sales by segments in Q2 2017



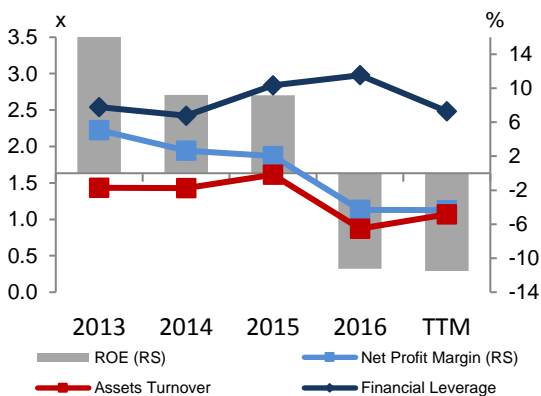
Source: Company data, Sofia International Securities Equity Research

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	482 911.0	263 518.0	102 123.0	93 860.0
Operating costs	-447 457.0	-259 289.0	-96 842.0	-91 958.0
EBITDA	21 468.0	-2 904.0	1 337.0	-223.0
Depreciation	-7 219.0	-7 043.0	-3 473.0	-2 366.0
EBIT	14 249.0	-9 947.0	-2 136.0	-2 589.0
Net financial result	-2 407.0	-1 983.0	-1 012.0	-369.0
t/o interest expense	-1 110.0	-640.0	-264.0	-249.0
EBT	12 105.0	-10 646.0	-1 973.0	-3 385.0
Taxes	-2 432.0	0.0	-1 312.0	-285.0
Net Income	9 673.0	-10 646.0	-3 285.0	-3 670.0
Minorities	-10.0	731.0	694.0	5.0
Net Income after minorities	9 683.0	-11 377.0	-3 979.0	-3 675.0

Balance sheet

PP&E	74 398.0	76 081.0	74 811.0	74 815.0
Intangibles	2 103.0	1 987.0	2 048.0	1 933.0
Other Non-Current Aassets	21 345.0	19 656.0	22 022.0	18 484.0
Non-Current Assets	97 846.0	97 724.0	98 881.0	95 232.0
Inventories	9 484.0	10 467.0	9 948.0	13 619.0
Trade Receivables	167 408.0	94 866.0	116 083.0	96 012.0
Cash & Cash Equivalents	83 288.0	32 845.0	17 911.0	21 424.0
Other Current Assets	3 975.0	5 798.0	4 226.0	3 973.0
Current Assets	264 155.0	143 976.0	148 168.0	135 028.0
Total Assets	362 001.0	241 700.0	247 049.0	230 260.0
Equity	108 504.0	94 216.0	101 686.0	90 525.0
Non-Current Debt	2 245.0	3 256.0	2 781.0	3 579.0
Other Non-Current Liabilities	6 885.0	7 313.0	7 475.0	8 868.0
Non-Current Liabilities	9 130.0	10 569.0	10 256.0	12 447.0
Trade Payables	204 279.0	115 134.0	111 039.0	103 477.0
Current Debt	4 902.0	5 402.0	7 621.0	9 695.0
Other Current Liabilities	35 186.0	16 379.0	16 447.0	14 116.0
Current Liabilities	244 367.0	136 915.0	135 107.0	127 288.0
Total Equity and Liabilities	362 001.0	241 700.0	247 049.0	230 260.0

Cash Flow Statement

Cashflow from Operations	60 140.0	-44 095.0	-64 484.0	-14 668.0
Cashflow from Investments	-10 589.0	-4 018.0	-2 702.0	-353.0
t/o Capex	-6 201.0	-3 208.0	-2 082.0	-404.0
Cashflow from Financing	-4 008.0	-2 247.0	1 851.0	3 574.0
Net Cash	45 543.0	-50 360.0	-65 335.0	-11 447.0

Source: Company data, Sofia International Securities Equity Research

Sofia International Securities

Equity Research

Tel: +359 2 988 63 40

E-mail: info@sis.bg

Fax: +359 2 937 98 77

Mihaela Ranchinska, CFA

Equity Analyst

ranchinska@sis.bg

Ivaylo Tomov

Executive Director

tomov@sis.bg

Disclaimers and Required Disclosures

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

Mihaela Ranchinska, CFA
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 - 2017. 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