

NAV price: 3.99

Industrial Holding Bulgaria AD

STRONG DEMAND BUILDING A HEALTHY CASH CUSHION

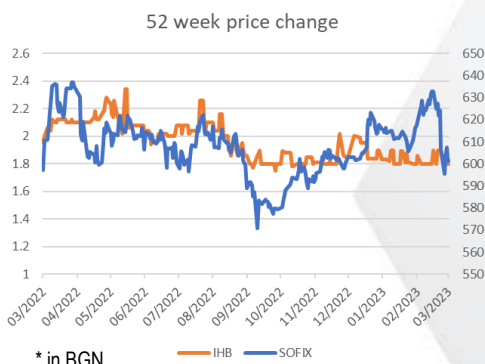
Share Information

Price (BGN) 1.80
52-week price change -8.2%
52-week price range 1.75 – 2.34

Market Cap (BGN) 174 255 151
Market Cap (EUR) 89 095 244
Shares outstanding 96 808 417
Free Float 22.21%

P/E (ttm) 6.21
P/S (ttm) 1.16
P/BV 0.45

Source: SIS Calculations and Market Data
The BGN is pegged at one euro equals 1.95583 leva.



Notable events

Non cons annual results 31.03.2023
Cons annual results 30.04.2023
Q1 2023 results 30.04.2023
Cons Q1 2023 results 31.05.2023

Ivaylo Valchev

Equity Analyst
Tel.: +359 2 937 9862
e-mail: valchev@sis.bg

Svetozar Abrashev

Senior Managing Partner
Tel.: +359 2 937 9869
e-mail: abrashev@sis.bg

Sofia International Securities

Sofia 1000,
140 G. S. Rakovski Str.
Tel.: + 359 2 937 98 65
e-mail: info@sis.bg

Q4 Consolidated Results

Revenues in 2022 increased 11.5% due to 3 main factors:

- Revenue from ship repairs was up thanks to higher demand in the sector due to more postponed repairs reaching final non-extendable deadlines. Coupled with less optimistic freight market projections globally, 2022 became preferred down-time for charters;
- Revenue from ship charter was impacted by the higher average USD FX rate in 2022, despite a decrease in average freight rates over the period;
- Revenue from sales of metal-cutting machines, components and details increased as a result of an increase in the demand for heavier machines;

The worldwide rise in commodity costs affected IHB's income statement, where expense for materials increased over 35%, where the largest contributors were main materials (50% of the account) and electricity (15% of the account).

Additional factor for the increase in Operating expenses was the tripling of the "Other operating expenses" account, which increased because of the rise in Impairment expense. The group impaired their 4 ships at the end of the year because there was a decline in average freight rates in 2022 compared to 2021, coupled with increased interest rates, as well as significantly increased volatility and instability in the market (political and international risks). The recoverable amount of the vessels was determined by calculating the value in use, which due to the rise of the interest rates decreased the present value. The total reported loss of the impairment was BGN 10.4mln.

The positive year lead to tripling of the cash account, going from BGN 15mln to over BGN 45mln. The cash account in the previous 2021 was so low, despite being a very profitable year, because the company repaid a large portion of their long term bank loans. This allowed IHB to take a long term BGN 5mln loan at 1.4% p.a. (out of a BGN 10mln credit line) for the extension of one of the ports, and renegotiate its current debt from 1.9% to 1.4% p.a., which represents an overdraft facility of USD 10mln, used for working capital financing, issuance of bank guarantees and letters of credit as part of the operational needs.

The company decreased its capital on 18 Nov 2021 on an extraordinary GM by invalidating 10,592,226 shares after buying them back at BGN 1 per share. The reduction of the capital was entered into the Commercial Register on 7 March 2022, hence the new share number in 2022.

FINANCIAL SNAPSHOT

ANNUAL RESULTS			
Financial Metrics	2022	2021	% Change
Total Revenue	152 010	136 310	11.5%
Operating expenses	-122 309	-96 534	26.7%
EBIT	30 416	45 130	-32.6%
Operating Margin	20%	33%	-13.1%
EBITDA	44 422	57 921	-23.3%
Net profit	28 549	48 210	-40.8%
Net Margin	19%	35%	-16.6%
Total Assets	426 412	383 727	11.1%
Net Debt	-35 518	-9 594	270.2%
Debt-to-Equity	0.03	0.02	69.8%

FINANCIAL RATIOS				
Per share	2022	2021	2020	2019
Number of shares	96 808 417	107 400 643	107 400 643	107 400 643
EPS	0.29	0.45	-0.19	0.10

Growth & Activity	2022	2021	2020	2019
Revenue growth	7.8%	50.3%	-19.2%	4.2%
Earnings growth	26.7%	-4.3%	-3.4%	11.8%
CAPEX growth	5.5%	-180.1%	-459.4%	0.0%
CAPEX/Revenue	-12.7%	-13.0%	24.4%	-5.5%
Asset Turnover	35.8%	36.9%	25.5%	28.5%
Working Capital Turnover	372.6%	1205.9%	4801.5%	2715.8%

Return & Profitability	2022	2021	2020	2019
ROE	7.4%	13.8%	-6.6%	3.2%
ROA	6.7%	12.6%	-5.5%	2.5%
ROIC	7.3%	13.7%	-6.2%	2.8%
EBITDA margin	29.1%	40.9%	7.6%	22.8%
Operating margin	19.9%	31.9%	-7.0%	10.5%
Net margin	18.7%	34.0%	-21.4%	8.9%

Gearing & Liquidity	2022	2021	2020	2019
Debt-to-Equity	0.0	0.0	0.1	0.2
Net Debt to EBITDA	-1.3	-6.0	0.2	0.6
Interest coverage	192.5	47.0	-4.7	6.5
Cash ratio	2.2	0.7	0.2	0.2
Current ratio	3.9	2.1	1.0	1.1

Source: SIS calculations and Industrial Holding Bulgaria AD financial statements

COMPANY DESCRIPTION

Industrial Holding Bulgaria AD is a company operating in 4 main lines of business - maritime transport, ship building and repairing, port operations and machine building. They operate from the 2 big sea ports in Bulgaria - Varna and Burgas - and charter 4 bulker ships internationally. Additionally, 2 factories for metal cutting machines and 1 metallurgical complex provide goods and services, which compliment the ship building and repair lines of business.

ANNUAL FINANCIAL RESULTS				
Income Stmt (BGN th)	2022	2021	2020	2019
Operating Revenue	152 010	136 310	94 254	116 410
Financial Income	715	5 354	-	300
Total Revenue	152 725	141 664	94 254	116 710
Operating expenses	(122 309)	(96 534)	(100 884)	(104 486)
EBIT	30 416	45 130	(6 630)	12 224
EBITDA	44 422	57 921	7 158	26 638
Net profit	28 549	48 210	(20 183)	10 343

Balance Sheet (BGN th)	2022	2021	2020	2019
Current assets	79 806	42 572	32 356	34 780
Cash & equiv.	45 376	14 857	6 942	7 542
Non-current assets	346 605	340 529	336 255	372 736
PP&E and Inv. Properties	320 940	315 476	309 812	346 644
Total Assets	426 412	383 727	369 768	408 884
Current Liabilities	20 577	19 830	31 603	31 607
ST Loans	3 692	4 256	14 329	15 815
Non-current liabilities	19 606	13 752	34 313	50 435
LT Loans	6 166	1 007	21 306	37 467
Total Liabilities	40 183	33 582	65 916	82 042
Equity	386 229	350 145	303 852	326 842
Net Working Capital	59 229	22 742	753	3 173
Total Debt	9 858	5 263	35 635	53 282
Net Debt	(35 518)	(9 594)	28 693	45 740

Cash Flow Stmt (BGN th)	2022	2021	2020	2019
CF from operations	46 907	47 914	16 490	30 391
CF from investments	(20 172)	(7 239)	2 929	(9 763)
CAPEX	19 470	18 455	(23 044)	6 411
Purchase of investments	20 324	7 555	4 943	10 087
CF from financing	(3 946)	33 230	19 318	17 229
Paid interest	158	960	1 399	1 886
Paid dividends	437	348	611	570

2022 REVENUE BREAKDOWN

Production of machine tools	23.8%	Cargo handling	6.6%
Cargo transportation under charter contracts	17.2%	Cargo storage	1.5%
Time charter contracts	24.9%	Quay rent	0.5%
Repair of vessels	19.2%	Property rentals	1.5%
Design services	3.1%	Other services	1.9%

Source: IHB financial statements

Disclaimers and Required Disclosures

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.

Analyst Certification

The individuals responsible for the preparation of this report certify that: (1) all of the views and opinions expressed in this report are their own and reflect their personal views about the issuer(s) and the securities subject of this report, and (2) no part of any analyst's compensation was, is, or will be directly or indirectly related to the specific views or recommendations expressed by them in this report.

Regulatory Restrictions

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. Notwithstanding this, no publication of Sofia International Securities AD shall be construed as an offer (or solicitation of an offer) in any jurisdiction in which such offer or solicitation would be illegal.

Financial Interest

Sofia International Securities does not own shares of the company that is subject of this document. 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 document. In the past, Sofia International Securities has not provided corporate services to the company that is subject of this presentation and may seek to provide such and other services in the future. As of the date of this document Sofia International Services does not provide brokerage services to the company subject of this document.

Equity Valuation and Risks

The value estimate(s) stated in this report is (are) valid only in light of the valuation methods used to derive this estimation. The use of other or more comprehensive approaches could result in other estimates of value that could diverge substantially from the results presented herein. With regard to the above, when making our conclusions about the intrinsic value of the Company's share capital, we have not considered or evaluated any possible tax, legal or other effects that might arise from engaging in transaction(s) with the shares of the company. The document should not be regarded by recipients as a substitute for the exercise of their own independent judgment and they should seek and obtain independent investment advice is necessary. Any facts and/or information stated in this document 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 herein are only correct as of the stated date. Past performance is not indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security.

Explanation of Equity Research Ratings

Sofia International Securities used the following rating system:

STRONG BUY	Target price above current market price by 25% or more
BUY	Target price above current market price between 10% and 25%
HOLD	Target price in the +/-10% range of the current market price
SELL	Target price below current market price between 10% and 25%
STRONG SELL	Target price above current market price by 25% or more

General

The report is prepared solely for informational purposes and is not to be construed as a solicitation, recommendation, investment advice 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 document is based on information obtained from sources believed to be reliable but Sofia International Securities do not warrant its accuracy, nor that it is a complete summary of the securities, markets or developments referred to in the report. This report does not intend to provide assurance on the value of the company's shares or on the achievability of the projections, statements and assumptions used by us. Actual results achieved in future periods might differ substantially from the projected ones because events and circumstances frequently do not occur as expected. 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.