

NAV price: 2.78

Hydraulic Elements and Systems AD

GROWTH DESPITE GEOPOLITICAL LIMITATIONS

Share Information

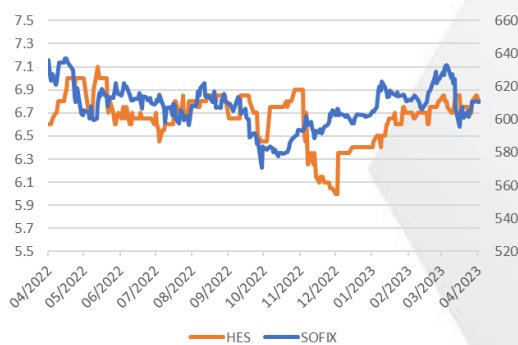
Price (BGN) 6.80
52-week price change 3.03%
52-week price range 6.00 – 7.10

Market Cap (BGN) 123 717 514
Market Cap (EUR) 63 255 760
Shares outstanding 18 193 752
Free Float 22.29%

P/E (ttm) 13.00
P/S (ttm) 1.31
P/BV 2.52

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

52 week price chart



* in BGN

Notable events

Cons annual results 30.04.2023
Q1 2023 results 30.04.2023
Cons Q1 2023 results 31.05.2023

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Q4 Results

Revenues in 2022 increased 34.2% to reach BGN 97.6 mln. The change compared to 2020 was 86.5% and marked a steady increase over the last few years.

The produce is mainly targeted for export as over 95% of sales are abroad. The main share of sales went through their partner Palfinger Group, who are responsible for over 67% of all sales.

Despite the decline of the sales to Russia due to the trade restrictions as the result of the Russian-Ukrainian war, the growth in the other markets compensated for it heftily.

The 5 largest markets are EU countries – Austria (31.3% of all sales), France (18.1%), Slovenia (13.4%), Netherlands (10.3%) and Finland (7%) and they are responsible for over 80% of the revenues. This eliminated problems, such as FX risks, but also creates others, such as the EU inflationary exposure to commodities and energy costs.

The operational expenses increased by the same percentage as the revenues. The largest contributors are the cost of main materials, marking a nearly 46% increase to reach BGN 49.9 mln (representing over 57% of operational expense) and electricity, which more than doubled reaching BGN 5 mln.

The company has minimal leverage. The increased debt in 2022 is due to a loan of BGN 3 mln it took from its parent entity, Stara Planina Hold AD, at 2.125% p.a. The loan will serve to cover possible liquidity issues that may arise and its low cost is not expected to burden the company.

The niche that the company has chosen – to provide bespoke solutions to machines using the cylinders that they produce – turns out to be a great anticyclical solution amid turmoil caused by inflationary pressure and market limitations. Aging machinery fleets by their end clients would require scheduled changes and if the company manages to keep or improve the quality of the produce, while curbing the rising costs, which are usually associated with that, expansion on large European markets, as well as the US, could become a very likely possibility.

FINANCIAL SNAPSHOT

ANNUAL RESULTS			
Financial Metrics	2022	2021	% Change
Total Revenue	97 603	72 753	34.2%
Operating expenses	-86 888	-64 396	34.9%
EBIT	10 655	8 461	25.9%
Operating Margin	11%	12%	-0.7%
EBITDA	14 324	11 715	22.3%
Net profit	10 936	8 737	25.2%
Net Margin	11%	12%	-0.8%
Total Assets	64 507	57 595	12.0%
Net Debt	1 524	-1 618	-194.2%
Equity/Assets	0.77	0.78	-1.3%

FINANCIAL RATIOS				
Per share	2022	2021	2020	2019
Number of shares	18 193 752	18 193 752	18 193 752	18 193 752
EPS	0.60	0.48	0.34	0.34

Growth & Activity	2022	2021	2020	2019
Revenue growth	33.9%	34.4%	-12.6%	0.0%
Earnings growth	25.9%	25.7%	39.8%	-15.4%
CAPEX growth	-7.3%	7.3%	104.2%	0.0%
CAPEX/Revenue	-4.4%	-6.4%	-8.0%	-3.4%
Asset Turnover	151.2%	126.5%	110.6%	132.4%
Working Capital Turnover	603.6%	503.4%	393.3%	463.5%

Return & Profitability	2022	2021	2020	2019
ROE	22.1%	19.6%	15.0%	16.0%
ROA	17.0%	15.2%	12.6%	13.3%
ROIC	22.1%	19.6%	15.0%	16.0%
EBITDA margin	14.7%	16.1%	18.2%	13.2%
Operating margin	10.9%	11.6%	12.4%	7.8%
Net margin	11.2%	12.0%	11.4%	10.0%

Gearing & Liquidity	2022	2021	2020	2019
Debt-to-Equity	0.1	0.0	0.0	0.0
Net Debt to EBITDA	9.4	-7.2	-1.9	-1.2
Interest coverage	169.1	325.4	280.4	87.5
Cash ratio	0.1	0.1	0.8	1.1
Current ratio	2.2	2.2	3.1	3.0

COMPANY DESCRIPTION

Hydraulic Element Systems AD is an engineering company specializing in the design and manufacturing of hydraulic cylinders, working exclusively as per client specifications rather than mass serial production. The produce includes piston cylinders, telescopic cylinders, plunger cylinders, rack cylinders and axial piston machines. The company works closely with M+S Hydraulic AD as they are companies within the same holding structure.

ANNUAL FINANCIAL RESULTS				
Income Stmt (BGN th)	2022	2021	2020	2019
Operating Revenue	97 603	72 753	54 424	62 078
Financial Income	(60)	104	(195)	(10)
Total Revenue	97 543	72 857	54 229	62 068
Operating expenses	(86 888)	(64 396)	(47 499)	(57 254)
EBIT	10 655	8 461	6 730	4 814
EBITDA	14 324	11 715	9 846	8 182
Net profit	10 936	8 737	6 167	6 219

Balance Sheet (BGN th)	2022	2021	2020	2019
Current assets	31 584	26 715	20 860	19 972
Cash & equiv.	1 483	1 642	5 337	7 026
Non-current assets	32 923	30 880	28 190	26 918
PP&E and Inv. Properties	19 078	18 412	16 990	15 749
Total Assets	64 507	57 595	49 050	46 890
Current Liabilities	14 050	11 929	6 700	6 558
ST Loans	3 007	21	21	21
Non-current liabilities	1 065	996	1 232	1 560
LT Loans	-	3	24	45
Total Liabilities	15 115	12 925	7 932	8 118
Equity	49 392	44 670	41 118	38 772
Net Working Capital	17 534	14 786	14 160	13 414
Total Debt	3 007	24	45	66
Net Debt	1 524	(1 618)	(5 292)	(6 960)

Cash Flow Stmt (BGN th)	2022	2021	2020	2019
CF from operations	757	25	2 494	1 700
CF from investments	(3 853)	(3 694)	(4 159)	(2 010)
CAPEX	4 335	4 676	4 357	2 134
CF from financing	(2 937)	26	24	(945)
Paid interest	63	26	24	55
Paid dividends	5 530	4 647	3 750	6 229

Source: SIS calculations and M+S Hydraulic AD financial statements

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