

NAV price: 2.57

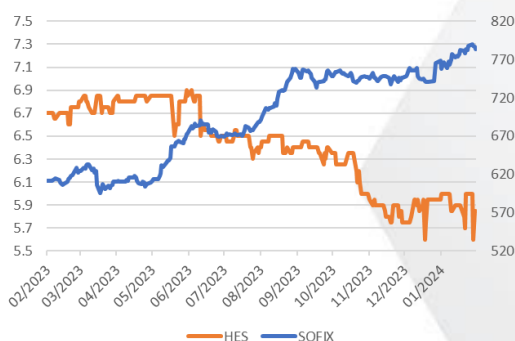
Hydraulic Elements and Systems AD

Share Information

Price (BGN)	5.85
52-week price change	-12.69%
52-week price range	5.60 – 6.90
Market Cap (BGN)	106 433 449
Market Cap (EUR)	53 221 248
Shares outstanding	18 193 752
Free Float	22.29%
P/E (ttm)	25.56
P/S (ttm)	1.24
P/BV	2.27

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

Annual financials	28.03.2024
Q1 2024 results	25.04.2024
Q2 2024 results	26.07.2024

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Adverse macro environment affects revenues

Q4 Results

Total Revenues in for Q4 2023 marked an 11.8% decline YoY reaching BGN 86m compared to BGN 97.6m last year. Unlike Q1, where the predictions for market cooldown had not materialized, the performance for Q3 and Q4 showed a sizeable decrease in revenues and was in line with expectations or even outpaced them. Considering sales just for each quarter, Q2 showed a decline in revenue of 4.8% compared to the same quarter last year, but the drop in Q3 was considerably more significant – 24.7% to reach BGN 18.16m. Similarly, Q4 decreased 22.7% and the expectations for Q1 2024 are to make another even greater decline of 27.4% YoY falling to BGN 19.17.

HES's business has a significant seasonality bias, which is why quarter sales to the same quarter sales last year are compared. The company management attributes the decline with the slowing Bulgarian and European economies as well as the harder access to financing. This resulted in decreased volume of orders from clients and partners.

Operational expenses decreased with just 6.7% YoY to reach BGN 81m in Q4. The decrease is due to the decreased energy and LNG cost, which offset the slight increase in salaries cost.

The combination of a smaller OPEX decrease and a massive drop in Sales resulted in EBITDA nearly halving (a drop of 41.7% YoY) to BGN 8.4m and Net Margin dropping from 10% to 5% to result in Net Income of just BGN 4.2m.

The sales in EU continue to take the biggest share with over 87% of all. The Palfinger Group remains as the main trading partner of HES, as they are responsible for 68.9% of the sales as of the end of the year, increasing their relative share by nearly 2% over the last 9 months.

The amount of investments in 2023 was BGN 3.53m, which is less than the Q1 2022 figure of BGN 4.49m and BGN 3.94m for 2021. The total amount for 2023 was expected to increase to over BGN 6.8m earlier in the year. This would be targeting mostly improvement of the infrastructure and the supply chains, as well as equipment, which would improve production environment and would increase safety. However, the adverse environment must have put a halt on it and many of the investment plans were moved for 2024 or even 2025.

The expectations for investments for 2024 are to mark a marginal increase due to the less attractive financing opportunities from banks. A recovery is expected in 2025-2026, reflecting the easing of the negative impact of funding conditions and support under the New Generation EU (NGEU) programme.

FINANCIAL SNAPSHOT

QUARTERLY RESULTS

Financial Metrics	Q4 2023	Q4 2022	% Change	TTM
Total Revenue	86,076	97,610	-11.8%	85,611
Operating expenses	-81,029	-86,888	-6.7%	-81,029
EBIT	4,737	10,810	-56.2%	4,582
Operating Margin	6%	11%	-5.6%	5%
EBITDA	8,442	14,479	-41.7%	8,287
Net profit	4,164	9,885	-57.9%	5,215
Net Margin	5%	10%	-5.3%	6%
Total Assets	59,564	63,008	-5.5%	-
Net Debt	-1,822	-1,093	66.7%	-
Equity/Assets	0.79	0.76	3.1%	-

FINANCIAL RATIOS

Per share	Q4 2023	2022	2021	2020
Number of shares	18,193,752	18,193,752	18,193,752	18,193,752
EPS	0.29	0.60	0.48	0.34

Growth & Activity	Q4 2023	2022	2021	2020
Revenue growth	-12.2%	33.9%	34.4%	-12.6%
Earnings growth	-6.7%	25.9%	25.7%	39.8%
CAPEX growth	N/A	-7.3%	7.3%	104.2%
CAPEX/Revenue	-6.7%	-4.4%	-6.4%	-8.0%
Asset Turnover	144.0%	151.2%	126.5%	110.6%
Working Capital Turnover	562.4%	603.6%	503.4%	393.3%

Return & Profitability	Q4 2023	2022	2021	2020
ROE	11.1%	22.1%	19.6%	15.0%
ROA	8.8%	17.0%	15.2%	12.6%
ROIC	11.1%	22.1%	19.6%	15.0%
EBITDA margin	9.8%	14.7%	16.1%	18.2%
Operating margin	5.5%	10.9%	11.6%	12.4%
Net margin	4.9%	11.2%	12.0%	11.4%

Gearing & Liquidity	Q4 2023	2022	2021	2020
Debt-to-Equity	0.0	0.1	0.0	0.0
Net Debt to EBITDA	-4.6	9.4	-7.2	-1.9
Interest coverage	46.0	169.1	325.4	280.4
Cash ratio	0.2	0.1	0.1	0.8
Current ratio	2.1	2.2	2.2	3.1

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)	Q4 2023	2022	2021	2020
Operating Revenue	86,069	97,603	72,753	54,424
Financial Income	(458)	(60)	104	(195)
Total Revenue	85,611	97,543	72,857	54,229
Operating expenses	(81,029)	(86,888)	(64,396)	(47,499)
EBIT	4,582	10,655	8,461	6,730
EBITDA	8,287	14,324	11,715	9,846
Net profit	5,215	10,936	8,737	6,167

Balance Sheet (BGN th)	Q4 2023	2022	2021	2020
Current assets	24,634	31,584	26,715	20,860
Cash & equiv.	2,272	1,483	1,642	5,337
Non-current assets	34,930	32,923	30,880	28,190
PP&E and Inv. Properties	21,126	19,078	18,412	16,990
Total Assets	59,564	64,507	57,595	49,050
Current Liabilities	11,666	14,050	11,929	6,700
ST Loans	450	3,007	21	21
Non-current liabilities	1,065	1,065	996	1,232
LT Loans	-	-	3	24
Total Liabilities	12,731	15,115	12,925	7,932
Equity	46,833	49,392	44,670	41,118
Net Working Capital	12,968	17,534	14,786	14,160
Total Debt	450	3,007	24	45
Net Debt	(1,822)	1,524	(1,618)	(5,292)

Cash Flow Stmt (BGN th)	Q4 2023	2022	2021	2020
CF from operations	11,185	757	25	2,494
CF from investments	(5,456)	(3,853)	(3,694)	(4,159)
CAPEX	5,731	4,335	4,676	4,357
CF from financing	4,993	(2,937)	26	24
Paid interest	103	63	26	24
Paid dividends	-	5,530	4,647	3,750

Source: SIS calculations and HES AD financial statements

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