

### Latest news

Sopharma announced that December unconsolidated sales increased by 26% y-o-y. Domestic sales jumped by 75% y-o-y while exports slipped by 1% on the year.

In addition preliminary data for 2018 showed that unconsolidated sales for the entire year slipped by 3% y-o-y. Domestic sales inched up by 3% y-o-y while exports decreased by 7% on the year.

### Company profile

- ◆ Sopharma is a leading pharmaceutical group in Bulgaria engaged in manufacturing of pharmaceutical products and distribution of health-related products;
- ◆ It has a vertically integrated business model which includes production and distribution on both wholesale and retail segments;
- ◆ It has 12 manufacturing facilities located in Bulgaria and one in Ukraine and it is the largest Bulgarian producer of ampoules and suppositories;
- ◆ It has 210+ products in its portfolio: mainly generics and 15 original products. The product portfolio is focused on the following therapeutic areas: cardiology, gastroenterology, pain relief, cough and cold, immunology and dermatology, respiratory, neurology and asthma, urology and gynaecology;
- ◆ Exports account for 35% of the sales of the Group. Main export destinations are Russia and Ukraine.
- ◆ The distribution business is the leading business segment forming more than 60% of Group's revenue. It is carried out by Sopharma Trading, a subsidiary of Sopharma AD, also listed on BSE;
- ◆ Sopharma AD is a blue chip on the Bulgarian Stock Exchange which is included in the composition of the main index SOFIX. Its stocks are among the most liquid on the exchange. The company has a history as a regular dividend payer.

Key Financials, BGN'000	2015	2016	2017	9M'17	9M'18
<b>REVENUES</b>	<b>886 563</b>	<b>886 568</b>	<b>1 026 713</b>	<b>725 801</b>	<b>868 549</b>
<i>% change (y-o-y)</i>	<i>3.7%</i>	<i>0.0%</i>	<i>15.8%</i>	<i>12.6%</i>	<i>19.7%</i>
<b>EBITDA</b>	<b>77 023</b>	<b>72 689</b>	<b>85 273</b>	<b>69 381</b>	<b>58 939</b>
<i>% change (y-o-y)</i>	<i>0.7%</i>	<i>-5.6%</i>	<i>17.3%</i>	<i>27.1%</i>	<i>-15.1%</i>
<b>EBITDA margin</b>	<b>8.7%</b>	<b>8.2%</b>	<b>8.3%</b>	<b>9.6%</b>	<b>6.8%</b>
<b>EBIT</b>	<b>50 697</b>	<b>43 984</b>	<b>55 165</b>	<b>46 362</b>	<b>34 169</b>
<i>% change (y-o-y)</i>	<i>5.1%</i>	<i>-13.2%</i>	<i>25.4%</i>	<i>34.6%</i>	<i>-26.3%</i>
<b>EBIT margin</b>	<b>5.7%</b>	<b>5.0%</b>	<b>5.4%</b>	<b>6.4%</b>	<b>3.9%</b>
<b>NET INCOME</b>	<b>36 612</b>	<b>41 958</b>	<b>38 404</b>	<b>35 308</b>	<b>29 392</b>
<i>% change (y-o-y)</i>	<i>87.7%</i>	<i>14.6%</i>	<i>-8.5%</i>	<i>-8.1%</i>	<i>-16.8%</i>
<b>Net income margin</b>	<b>7.3%</b>	<b>6.9%</b>	<b>5.9%</b>	<b>5.1%</b>	<b>3.8%</b>
<b>EPS (ttm), BGN</b>	<b>0.16</b>	<b>0.39</b>	<b>0.32</b>	<b>0.40</b>	<b>0.27</b>
<b>ROA (ttm)</b>	<b>0.06</b>	<b>0.05</b>	<b>0.05</b>	<b>0.06</b>	<b>0.04</b>
<b>ROE (ttm)</b>	<b>0.05</b>	<b>0.12</b>	<b>0.09</b>	<b>0.11</b>	<b>0.07</b>
<b>Debt/Assets</b>	<b>0.45</b>	<b>0.43</b>	<b>0.49</b>	<b>0.46</b>	<b>0.49</b>

Key Financials, BGN'000	2015	2016	2017	9M'17	9M'18
<b>TOTAL ASSETS</b>	<b>835 627</b>	<b>859 221</b>	<b>980 733</b>	<b>950 000</b>	<b>998 804</b>
Short-term debt	205 569	180 320	208 800	203 037	246 778
<b>Total currents liabilities</b>	<b>315 495</b>	<b>314 156</b>	<b>397 562</b>	<b>364 780</b>	<b>417 262</b>
Long-term debt	50 341	28 540	52 649	42 853	46 256
<b>Total long-term liabilities</b>	<b>62 492</b>	<b>53 842</b>	<b>80 061</b>	<b>70 018</b>	<b>73 843</b>
<b>TOTAL LIABILITIES</b>	<b>377 987</b>	<b>367 998</b>	<b>477 623</b>	<b>434 798</b>	<b>491 105</b>
<b>TOTAL EQUITY</b>	<b>405 891</b>	<b>457 490</b>	<b>469 883</b>	<b>481 209</b>	<b>475 504</b>

Source: Company's consolidated financial statements

### Trading data

<b>Market cap</b>	<b>BGN 418.2 mln</b>
Last price	BGN 3.32
<b>Shares outstanding*</b>	<b>126 mln</b>
Avg. daily volume	BGN 63 262
52-weeks range	BGN 3.27 - 4.30
Free float	34%
P/S	0.4
P/E	12.2
P/B	0.9

\* Excluding treasury shares

### 3Y Price performance



### Catalysts:

- ◆ Expansion of the distribution business in Serbia;
- ◆ Development of the domestic pharmacy chain business;
- ◆ Ongoing capacity upgrades;
- ◆ Strategic long-term partnership with Achieve Life Sciences (US) for the manufacture of cytosine which is still in the clinical trial stage with the FDA
- ◆ Expansion of the product portfolio

### Risks

- ◆ Slow down of the economy;
- ◆ Highly competitive domestic market;
- ◆ High political risk, instability and uncertainty in one key export markets (Russia and Ukraine)
- ◆ Regulatory risk as the government controls reimbursed drug prices;
- ◆ Political risk

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