

14-Nov-18
**Neochim (3NB BU)
Share Data**

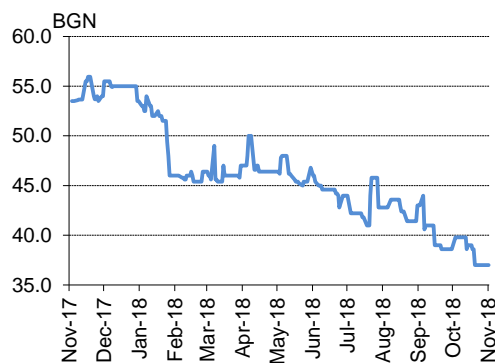
Price	37.00
52 weeks Price Change	-30.84%
52 weeks Price Range	37.00 - 55.95
Market Cap (BGN)	95 680 668
Market Cap (EUR)	48 920 749
Number of shares out.	2 585 964
DPS	0.20
Dividend yield	0.54%
EPS	-6.04
Sales per share	81.55
Book value per share	35.12
FCF per share	1.16
P/E	n/a
P/S	0.45
P/B	1.05
EV/Sales	0.43
EV/EBITDA	n/a
ROA	-10.7%
ROE	-15.7%
Current Ratio	1.39
Total Debt Ratio	0.06
Interest Coverage	n/a
Assets Turnover	1.45

Source: Company data, Sofia International Securities Equity Research

Shareholder Structure

Eco Tech AD	24.28%
Euro Fert AD	24.03%
Feboran AD	20.30%
Agrofer International	7.68%
Treasury shares	2.58%
Other	21.13%

Source: Company data, Sofia International Securities Equity Research

Share Price of Neochim (3NB BU)


Source: Bloomberg, Sofia International Securities Equity Research

Neochim's loss deepened further in Q3 as market conditions remain tough

Neochim's slump in revenues deepened further in the third quarter of the year as sales dropped 38% YoY in the three months between July and September alone.

The company reported BGN 137.8m in revenues for the nine-month period, which is 10.9% lower than last year's results.

The results are not surprising given the challenging year in Bulgarian agricultural sector so far and diminishing revenues for producers.

Both domestic and export sales are down YoY, with the slump on home market being more pronounced. Revenues from Bulgarian market fell by 17.4% to BGN 61.9m, reversing the slight improvement we saw in the previous quarter. Export 4.8% fell to BGN 75.9m, as the company could not maintain the growth inertia from earlier months.

Sales of Neochim's flagship product - ammonium nitrate – fell by 11.4% YoY to BGN 108m, driven by weakness on both domestic and export markets.

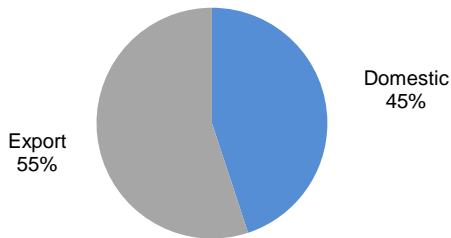
Meanwhile, operating expenses soared 9.6% to BGN 161.1m as CO2 emission costs increased nearly five times to BGN 10.9m. Naval transport and auxiliary services also pushed the overall expenses up and external services costs rose 22.7% to BGN 19.5m. Personnel expenses were also trading up, adding 8.6% YoY. Expenses for materials fell in step with decreasing revenues but the 3.2% cut did not have a significant drag on total operating expenses.

Consequently, the company reported operating loss for the first nine months of the year in the amount of BGN 19.5m and after-tax loss of BGN 19.9m. Last quarter the company reported small but positive net financial result in the amount of BGN 0.3m.

Selected Financials	2016	2017	2017	2018
BGN '000	FY	FY	9M	9M
Sales	240 717.0	227 687.0	154 646.0	137 838.0
Sales YoY	-15.57%	-5.41%	-9.47%	-10.87%
EBIT	32 296.0	16 447.0	9 809.0	-19 486.0
EBIT Margin	13.4%	7.2%	6.3%	-14.1%
Net Income	28 027.0	13 545.0	9 318.0	-19 852.0
Net Margin	11.6%	5.9%	6.0%	-14.4%
PP&E	91 600.0	86 792.0	88 229.0	86 844.0
Trade Receivables	2 635.0	3 144.0	12 802.0	3 815.0
Inventories	24 498.0	28 973.0	27 368.0	28 590.0
Total assets	175 130.0	149 653.0	156 425.0	134 720.0
Equity	102 044.0	111 200.0	108 000.0	90 831.0
Non-Current Debt	6 990.0	4 538.0	9 170.0	6 341.0
Current Debt	20 149.0	5 462.0	1 272.0	1 545.0
Trade Payables	13 550.0	12 034.0	9 642.0	13 078.0

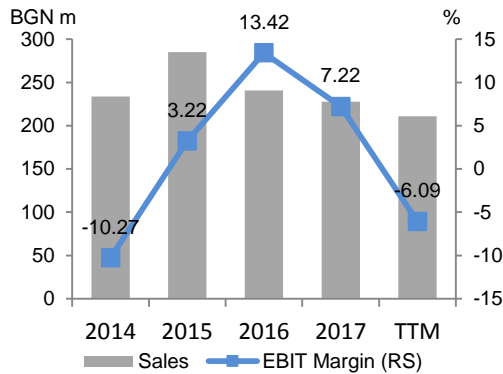
Source: Company data, Sofia International Securities Equity Research

Sales breakdown for 9m 2018



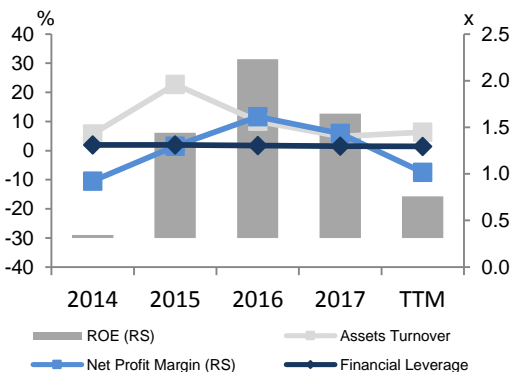
Source: Company data, Sofia International Securities Equity Research

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	2016	2017	2017	2018
BGN '000	FY	FY	9M	9M
Sales	240 717.0	227 687.0	154 646.0	137 838.0
Operating costs	-197 201.0	-208 835.0	-141 460.0	-152 085.0
EBITDA	46 056.0	27 869.0	18 224.0	-11 000.0
Depreciation	-11 707.0	-11 422.0	-8 415.0	-8 486.0
EBIT	32 296.0	16 447.0	9 809.0	-19 486.0
Net financial result	-1 136.0	-643.0	-491.0	-366.0
t/o interest expense	-1 136.0	-643.0	-491.0	-366.0
EBT	31 160.0	15 142.0	9 318.0	-19 852.0
Taxes	-3 133.0	-1 597.0	0.0	0.0
Net Income	28 027.0	13 545.0	9 318.0	-19 852.0
Minorities	0.0	0.0	0.0	0.0
Net Income after minorities	28 027.0	13 545.0	9 318.0	-19 852.0

Balance sheet

PP&E	91 600.0	86 792.0	88 229.0	86 844.0
Intangibles	206.0	115.0	260.0	97.0
Other Non-Current Assets	92.0	92.0	92.0	92.0
Non-Current Assets	91 898.0	86 999.0	88 581.0	87 033.0
Inventories	24 498.0	28 973.0	27 368.0	28 590.0
Trade Receivables	2 635.0	3 144.0	12 802.0	3 815.0
Cash & Cash Equivalents	52 644.0	26 721.0	24 539.0	13 827.0
Other Current Assets	3 455.0	3 816.0	3 135.0	1 455.0
Current Assets	83 232.0	62 654.0	67 844.0	47 687.0
Total Assets	175 130.0	149 653.0	156 425.0	134 720.0
Equity	102 044.0	111 200.0	108 000.0	90 831.0
Non-Current Debt	6 990.0	4 538.0	9 170.0	6 341.0
Other Non-Current Liabilities	2 271.0	3 338.0	2 297.0	3 338.0
Non-Current Liabilities	9 261.0	7 876.0	11 467.0	9 679.0
Trade Payables	13 550.0	12 034.0	9 642.0	13 078.0
Current Debt	20 149.0	5 462.0	1 272.0	1 545.0
Other Current Liabilities	30 126.0	12 746.0	26 044.0	19 587.0
Current Liabilities	63 825.0	30 242.0	36 958.0	34 210.0
Total Equity and Liabilities	175 130.0	149 318.0	156 425.0	134 720.0

Cash Flow Statement

Cashflow from Operations	56 881.0	-236.0	-4 749.0	-6 856.0
Cashflow from Investments	-5 365.0	-4 668.0	-3 015.0	-4 136.0
t/o Capex	-5 365.0	-4 668.0	-3 015.0	-4 136.0
Cashflow from Financing	684.0	-21 019.0	-20 341.0	-1 902.0
Net Cash	52 200.0	-25 923.0	-28 105.0	-12 894.0

Source: Company data, Sofia International Securities Equity Research

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