

## SPEEDY (OSP BU)

### INDUSTRY: COURIER SERVICES

## SPEEDING UP WITH ACQUISITIONS

**16.5% REVENUE CAGR FOR THE LAST FIVE YEARS. LEADING COURIER COMPANY IN BULGARIA ACCELERATING ON THE ONGOING B2B SUPPLY CHAIN OPTIMIZATION AND BOOMING E-COMMERCE THAT IS EXPECTED TO TRIPLE IN EUROPE BY 2020. JOINING FORCES WITH EUROPE'S 2ND LARGEST ROAD SERVICE PROVIDER GEOPOST, TO CONQUER SOUTHEASTERN EUROPE'S MARKET, STARTING IN ROMANIA.**

### WELL-MANAGED COMPANY WITH SOLID MARKET EXPERTISE

The largest land courier service provider in Bulgaria with 37% market share. Excellent brand recognition. 10M+ parcels per year delivered; 215+ office all over Bulgaria, 6 distribution centers and 700+ new vehicles. Very good corporate governance and corporate social responsibility; 50% dividend payout.

### HUGE GROWTH POTENTIAL WITH THE NEW STRATEGIC INVESTOR OF GEOPOST

Joins forces with Europe's 2<sup>nd</sup> largest courier company GeoPost, part of the French La Poste. GeoPost to acquire 25% of Speedy by the end of 2014 and a majority stake in 2020, both transactions at EV/EBITDA of 8x. The deal will boost Speedy's presence in Romania, 3x larger market than Bulgaria and help it tap on DPD's excellent road transport network in Europe. Speedy will acquire GeoPost's business in Bulgaria and Romania, and run the regional business for GeoPost. Capital increase at BGN 23 per share starts September 23rd, aimed at GeoPost's entry as a shareholder.

### WELL-EXECUTED NICHE STRATEGY

The main focus is on B2B market and supply chain optimization. Corporate clients and larger packages generate 80% of the revenues. 17K+ corporate clients. No significant exposure to a single client. Gaining momentum on the booming B2C segment by establishing local office network via partnerships.

### HIGHLY INTEGRATED AND INNOVATIVE PRODUCT RANGE

Provides an integrated mix of courier services to reap any available potential on the market. To excel on the B2B mid parcel market, has structured a niche pallet service that allows business to effectively transport larger packages within and outside Bulgaria. To ride the e-commerce wave, the company started a program for opening delivery points, through a partnership network.

### FLEXIBLE OPERATIONS MANAGEMENT

Initiated a cost restructuring program via outsourcing of transportation to subcontractors, resulting in enhanced operational flexibility, lower materials and labor costs, and increased workforce loyalty. Renew 2/3 of fleet in 2012 and 2013.

### VALUATION/RISKS

**VALUATION:** Our BGN 38.43 per share is based on a DCF model that includes GeoPost's business in Bulgaria and Romania.

**RISKS:** Increased political and financial instability in Bulgaria may lower business activity. Logistics outsourcing does not prove as efficient as planned; Increased competition, especially on the B2C market; Lower free float

in kBGN, excl. ratios	2013	2014F	2015F	2016F
REVENUES	66,297	106,075	121,986	137,235
EBITDA	13,558	17,905	20,499	22,803
EBIT	10,382	14,002	16,590	18,938
NET PROFIT	8,827	11,653	13,916	16,141
EQUITY	14,933	41,413	48,371	56,442
ROE	69.35%	41.36%	31.00%	30.80%
ROA	28.06%	19.56%	16.46%	17.73%
EBITDA MARGIN	20.45%	16.88%	16.80%	16.62%
NET PROFIT MARGIN	13.31%	10.99%	11.41%	11.76%
EPS	2.98	2.52	2.51	2.92
DEBT/EQUITY	0.68	0.54	0.42	0.33
P/E	7.38	9.96	9.99	8.61
P/B	6.55	3.36	2.87	2.46
EV/EBITDA	7.32x	8.24x	7.04x	6.06x
PAYOUT RATIO	50%	50%	50%	50%
DIVIDEND YIELD	4.55%	4.19%	5.01%	5.81%

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**BUY**
**ONE YEAR PRICE TARGET: BGN 38.43**
**CURRENT PRICE: BGN 25.10**

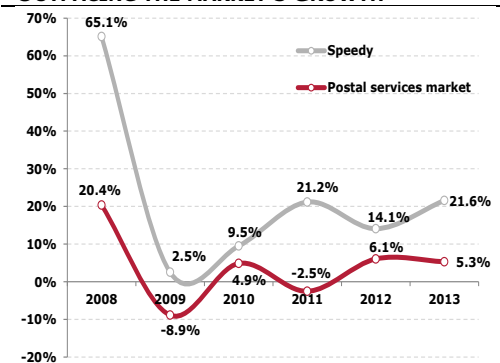
### EXCHANGE RATES

**EUR/BGN(FIXED): 1.9583**
**USD/BGN: 1.4920**

### MARKET DATA

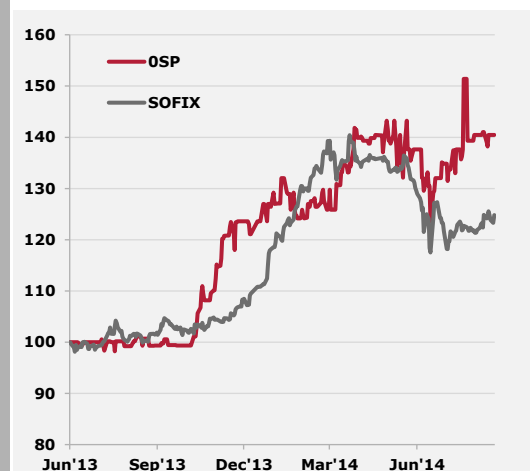
Shares Outstanding:	<b>4.4m</b>
Share Capital:	<b>BGN 4.4m</b>
Free-float:	<b>7.5%</b>
Treasury Shares	<b>0%</b>
Market Cap.:	<b>BGN 111.6m</b>
Avg. Daily Vol.:	<b>BGN 25,000</b>
52 Weeks Range:	<b>BGN 17.68-26.95</b>

### OUTPACING THE MARKET'S GROWTH



Source: Bulgarian Communications Regulation Commission, Speedy

### PRICE PERFORMANCE



### ANALYSTS CONTACTS:

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## EXECUTIVE SUMMARY

**WE CONFIRM THE BUY RATING OF SPEEDY WITH ONE YEAR PRICE TARGET OF BGN 38.43, WHICH IS A 53% RETURN OVER THE NEXT 12 MONTHS.**

### THE COMPANY

Speedy (Speedy, the Group, the Company) is the largest courier company in Bulgaria and 2<sup>nd</sup> largest postal service provider after the incumbent Bulgarian Post. It is also one of the fastest growing companies in the country with high brand recognition. The Company provides integrated delivery services from a city courier of express and standard deliveries to countrywide and international mid- to large land deliveries.

**Revenue breakdown:** Currently, 91.4% of the Groups' revenues come from the local market. It services 540K+ customers with 100% coverage in Bulgaria. It has low concentration risk as no customer accounts for more than 3% of sales. Speedy focuses on the B2B market (80% of sales) with 17K+ long-term loyal corporate clients. It provides logistics outsourcing services to supply-chain-optimization. To excel on the B2B mid parcel market, it structured a niche pallet service (Pallet One) so businesses can effectively transport packages up to 1200 kg. With the boom in e-commerce Speedy has also positioned itself as courier of choice with B2C segment already accounting for 20% of revenues. To tap on the growing e-commerce market and to be closer to the individual clients it established the Speedy Parcel Shop (SPS) program. It entails opening client service points all over Bulgaria via partnerships with smaller retail shops. In a year, up to H1 2014, it has opened 125 points. Another 40 expected by the end of 2014. Together with the 90 own offices, it currently has 215+ offices in Bulgaria. The benefit of SPS – offices more than doubled with negligible investments and almost no fixed cost

**Expanding internationally:** International deliveries to and from Bulgaria account for 8.6% of Speedy's sales. This portion is expected to increase dramatically following Speedy's deal with GeoPost, a subsidiary of La Poste Group (Europe's 2<sup>nd</sup> largest postal company) and owner of DPD. The latter operates the 2<sup>nd</sup> largest land delivery network in Europe with 800 distribution centers in 40 countries. On one hand, according to the agreement between the two companies, GeoPost will acquire 25% of Speedy's capital by the end of 2014 and has an option for a majority stake in 2020. Both transactions will be realized at an 8 EV/EBITDA multiple. On the other hand, Speedy will acquire GeoPost's business in Bulgaria and Romania: GeoPost Bulgaria and DPD Romania, respectively. On 23<sup>th</sup> of September, the Company starts a capital increase at a price per new share of BGN 23 to finance the acquisitions and provide shares for the incoming strategic investor. Speedy's current management will continue to run the Company with GeoPost as a strategic investor.

Building on DPD's network and Speedy's own management know how, the deal will boost Speedy's presence on a regional scale in line with management's goal to establish the Company as a leading courier service provider in Southeastern Europe. Romania will be the starting point for the regional expansion.

**Operations management:** In 2013, the Group started optimizing its own supply chain by outsourcing its Bulgarian transport operations to subcontractors. Thus, the Company has restructured its costs (cutting material and labor costs but incurring higher external services costs) to keep profit margins steady with rising revenues and to boost employee loyalty as couriers work basically for themselves. The full effect of the restructuring is expected by the end of 2015. This adds to the Company's corporate social responsibility image as it aims to encourage entrepreneurship.

Speedy is publicly listed on the Bulgarian Stock Exchange since November 2012. It also ranks among the best corporate governance companies on the market as the management is committed to 50% dividend payout of annual profits.

### THE COUNTRY AND THE MARKET

Bulgaria is under a Currency board and the Lev is pegged to the Euro at fixed rate of 1.95583. We expect a modest economic growth in 2014 (1.4% of GDP), as it will be negatively affected by the ongoing political instability.

The 2<sup>nd</sup> parliamentary elections in the last 2 years are scheduled for Oct. 5<sup>th</sup> which will provide the 5<sup>th</sup> government for the same period. Even though the leading political parties expected to enter the Parliament have shown commitment to long-term economic and political stability, the new cabinet will be faced with the task to solve the recent bank issues. The 4<sup>th</sup> largest bank in the country CCB was placed under conservatorship in mid-June due to liquid problems. They have not spread into the rest of the system so far but their resolution will put pressure on the country's fiscal position with budget deficit already coming close to EU's 3% of GDP limit.

We expect the Bulgarian postal industry to continue to grow gradually with a 6.8% CAGR in 2014. The growth will be driven by non-universal postal services, where the courier services have the largest share. Couriers will continue to offer diverse services. Speedy has a competitive advantage in the mid to large parcels B2B segment which will continue to have major impact on the market. Fast growing e-commerce, however, will add additional business both to the B2B and B2C segment. Deliveries abroad will continue to increase, as Speedy is expected to benefit from its partnership with DPD.

### THE VALUATION

We use the discounted cash flows method to value Speedy. All calculations are based on the consolidated results of the Company and include the effects from the acquisitions of DPD Romania and GeoPost Bulgaria.

We value the stock of Speedy at BGN 38.43 per share or 53% above the latest market price.

### SOME RISKS

Increased political instability in Bulgaria could lead to lower business activity. Nevertheless, we do not expect the situation to exacerbate to such extent as to have a significant impact on the business environment.

Operational risks of rising expenditures to sub-contractors. Market risks of increased competition, especially, in the B2C market and to lower extent in the B2B market. Lower liquidity of the stock.

## COMPANY OVERVIEW

Speedy is the market leader in courier services in Bulgaria with 37% market share. Since its establishment in 1998, it has also proved itself as most innovative on the market by implementing innovative services and products.

The Group's core business is door to door standard and express delivery services that represent 95% of the revenues during the past three years. The Company's strategy is focused on servicing the transport and logistics activities of its corporate clients. The majority of the freights carried are up to 6 tons. Speedy covers 100% of the territory of Bulgaria and delivers to and from EU through the DPD network. The basic operations, shipments' sorting and transport, is done by Speedy Ltd. – a 100% subsidiary of Speedy Jsc. The latter is responsible for the sales and administrative operations.

In 2013, Speedy started a cost optimization program via transport outsourcing that is expected to take full effect in 2015. Speedy uses subcontractors on intercity transportation and for delivery and acceptance of parcels, as well as agents to service certain areas in the country. All partners and agents work entirely within the organization standards and under the brand of Speedy. Their income is formed by the number of processed items or the mileage of vehicles. Basically, these are Speedy's couriers that have purchased the vehicles from the Company and were re-contracted as subcontractors. As of June 2014, 68% of couriers were subcontractors.

The Company is registered as a non-universal postal services (NPS) operator by the Communications Regulation Commission (CRC), which includes:

- Collection, transport and delivery of direct mail
- Acceptance of messages submitted in a physical or electronic form by the sender, transmitting them and delivering it to the addressee as postal items (hybrid mail)
- Courier services
- Money orders

In mid May 2014, the CRC also licensed Speedy to provide universal postal services (UPS) but the Company has announced it will not pursue the service in the foreseeable future.

Speedy operates 700+ vehicles with an average age below 3 years. The Company implements a GPS system for tracking and monitoring the fleet and the status of each delivery. The system optimizes routes, number of couriers, car fuel and maintenance expenses in addition to the improved performance of couriers and the maintenance of high quality of services (complaints represents only 0.01% of the total deliveries).

*Speedy leading and most innovative courier company*

*The core business - door to door delivery services, accounting for 95% of revenues*

## CAPITAL INCREASE AND ENTRY OF GEOPOST

Speedy will raise BGN 20M through the stock exchange. The number of outstanding shares will increase by 889 320 to 5 335 920 at the issue price of BGN 23 per share.

The capital will be used for DPD Romania and GeoPost Bulgaria's acquisitions. According to the agreement between GeoPost and Speedy, the former will acquire up to 25% of the capital of Speedy. We expect this to happen during the capital increase with an additional stake to be acquired from the majority shareholder. The procedure is expected to take place by the end of 2014 as the Bulgarian Financial Supervision Commission has already approved the prospectus for the capital increase. The latter is scheduled to start on September 23<sup>rd</sup>.

Moreover, GeoPost has the option to become majority owner of Speedy in 2020. Both transactions have been agreed on an 8 EV/EBITDA multiple. This corresponds to a great extent with our DCF valuation results. However, we do not include it in the final valuation due to the relatively long scope of the companies' agreement.

## ACQUISITIONS OF DPD ROMANIA AND GEOPOST BULGARIA

International deliveries represented 8.6% of revenues as of H1 2014, an increase by 5.8 p.p. since 2009. The Group will further expand its revenues from shipments to foreign markets with the acquisition of DPD Romania. The latter is 4<sup>th</sup> largest in Romania with a 4% market share, according to Speedy's data and 3M parcels processed in 2013 that brought approx. EUR 15M revenues, according to DPD data.

The Romanian market is Speedy's first target on its path to regional expansion via acquisitions. It is 3x the Bulgarian market both in volumes and revenues, but with lower profit margins, according to data from the Romanian Communications Regulation Commission ANCOM.

DPD's integration into Speedy's will provide access to the Romanian market and new revenue source. Due to the geographical proximity and the rising cross-border trade, Speedy aims to develop the Romanian market as a local market applying its policies and standards.

The acquisition of GeoPost Bulgaria, 100% GeoPost subsidiary in Bulgaria, will add little revenue or profit margin improvement potential, as it has operated in Bulgaria solely based on DPD's long-term partnership with Speedy.

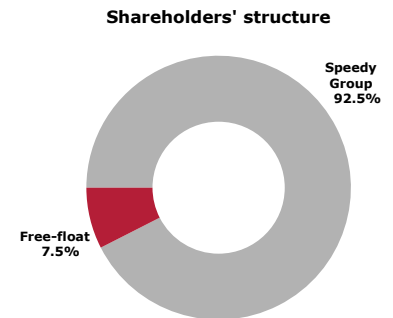
*Speedy will acquire 4<sup>th</sup> largest courier on the 3x larger Romanian market*

**SHAREHOLDERS' STRUCTURE**

Speedy's registered capital is 4.4M shares with a transparent ownership structure. The largest shareholder is Speedy Group with 92.5% of the capital that in the end is controlled by Speedy's CEO, cofounder and serial entrepreneur Valery Mektupchian.

*Number of shares outstanding:*  
4 446 600

Since 2012, the free-float of the Company increased gradually with a stock split in 2013. Currently, it stands at 7.5% of total shares as a consequence of the management's intentions to improve liquidity and trading volumes.



**POTENTIAL CATALYSTS**

**Forthcoming entry of a big strategic investor:** GeoPost SA (2<sup>nd</sup> largest courier company in EU) will buy 25% of Speedy's capital. According to the agreement, it will have the option to increase its stake to 70% in 2020. We consider the interest of GeoPost as a confirmation for both Speedy's leading market position and its potential for growth on a regional scale, starting with Romania

**Expanding market presence through acquisitions:** Speedy will acquire DPD Romania, an active player on the Romanian courier market with a 4% market share, and GeoPost Bulgaria. Both are subsidiaries of French company GeoPost SA and will provide further penetration and consolidation on Bulgarian and Romanian markets. The strategic partnership will include also access to the extensive logistic road network of DPD Europe (part of GeoPost). We expect double digit growth of revenues and synergy effects for the operations in both countries.

**Operates on a fast growing market:** The company operates on a fast growing market with expected annual increase in Bulgaria between 5% - 9%. E-commerce will be leading catalyst for deliveries as industry revenues in Europe are expected to triple by 2020.

**SECTOR OVERVIEW**

**EUROPEAN AND REGIONAL COURIER MARKET**

The European courier, express and parcel industry has been growing steadily over the past few years. CAGR in volumes and revenues has averaged to 6% and 4%, respectively, and is expected to continue the pace in the near future, according to an AT Kearney report.

*E-commerce to be the industry's driving force*

Overall, the European parcel and packages industry is estimated at EUR 46bn in 2012, according to a study conducted by the European Commission and Copenhagen Economics. If we exclude the big four integrators on the market (DHL, TNT, UPS and FedEx), which are focused in express deliveries, smaller courier and delivery companies, offering predominantly standard delivery services, account for 78% of the market.

Major driver for the industry's growth has been the rise of the e-commerce economy, both desktop and mobile. In 2013, the B2C segment hit EUR 363bn in Europe, a 16% increase compared to 2012, according to a 2013 Ecommerce Europe report.

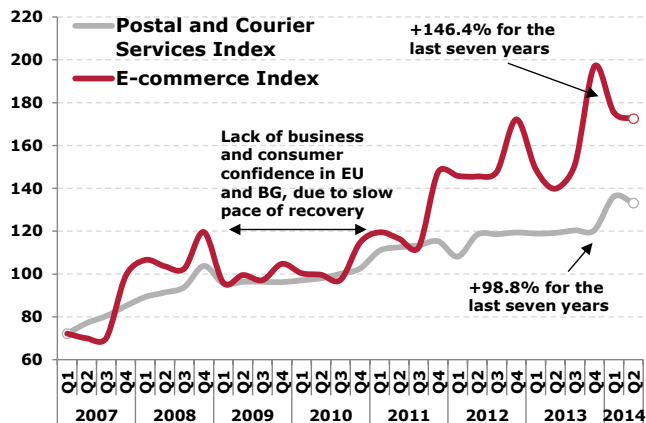
Central and Eastern Europe has been outpacing the rest of the continent due to the boom in Russia and Poland, but not only. In 2013, e-commerce in the region topped EUR 112bn and rose on average by 33% with growth in Eastern Europe leading the way. Eastern Europe, however, is still the smallest part of the market with EUR 19.3bn in revenue and EUR 572 average spending by an e-shopper. Romania and Bulgaria's turnover has been estimated at EUR 800M and EUR 120M, respectively, growing by a third in a year.

*Europe's e-GDP expected to increase x2 by 2016, and x3 by 2020*

Overall, the region is expected to converge to EU average of 2.2% of EU GDP. Currently, e-commerce represents 0.9% of GDP. Ecommerce Europe also expects the EU's average percentage to double by 2016 and to triple by 2020.

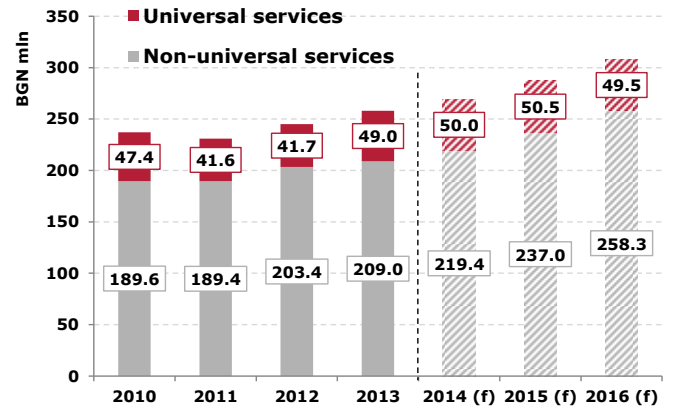
Currently, 10% of e-commerce turnover goes to courier companies as deliveries expenses. However, competition in the B2C segment is high and margins are lower. Thus, industry players are looking into increasing scale and diversifying into other segments as B2B with supply chain optimization.

Exhibit 1: E-commerce outpacing postal services in Bulgaria



Source: National statistical institute

Exhibit 2: Revenues from non-universal service will contribute to growth



Source: National statistical institute

### BULGARIAN AND ROMANIAN COURIER MARKETS

The postal sector in Bulgaria has been fully liberalized and has gone under a significant transformation during the last decade in line with the trends in most new EU states. There are 130+ participants with few companies dominating the market. Nevertheless, barriers to entry and exit are low, competition is relatively high.

The industry's annual revenue reached EUR 132M in 2013. It is subdivided into two main segments: universal postal services (UPS) that require licensing, and non-universal postal services (NPS) that are under notification regime and include courier services.

The UPS segment is dominated by the incumbent Bulgarian Post and accounts for only 20% of the sector down from 29% in 2009.

The NPS segment contributes 80% to the sector's revenues and is divided among a few major players with a leading position for Speedy.

The industry has been growing steadily in the past few years in line with EU average. We expect it will continue its gradual increase on annual basis and register 6.8% CAGR during 2014-2016. The NPS will outpace the whole sector with expected CAGR of 8.5%.

Courier services account for 65% of the postal industry (BGN 168M in 2013) and are the fastest growing part of it with a 5.3% increase since 2012 and a 14.1% increase since 2010. Almost 3/4 of the revenues were generated by domestic deliveries with international deliveries increasing gradually - from 24% in 2010 to 28% in 2013.

Naturally, universal and hybrid mail services have been losing ground in the market due to the fast convergence to an e-economy (emails, e-bills, etc.). We expect this percentage to shrink even more to 16% by 2016.

Thus, competition in courier services has been increasing. For example, after being acquired by the Austrian postal group Osterreichische Post, the smaller Bulgarian company M&BM Express, leader in hybrid mail services, will be repositioning itself from hybrid to courier services.

The main growth driver in courier and parcel deliveries is expected to be the booming e-commerce segment. Domestic and international parcels deliveries registered a significant increase in 2013, although from a low base, reaching 5% (BGN 12.9M) market share. Thus, there is huge room for growth despite the lower margins in the segment.

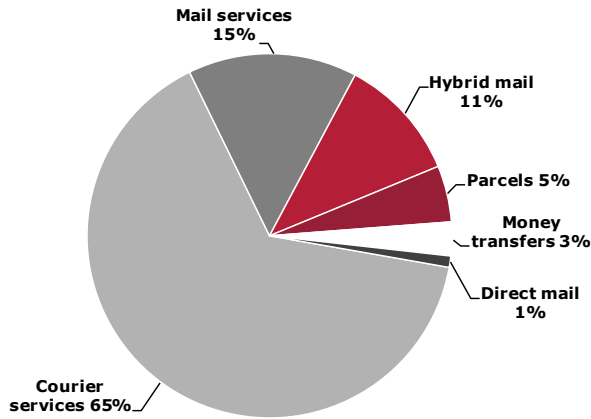
The major trend in the local postal industry is the growing importance of corporate clients. In NPS, corporate clients accounted for 87% of the customers in 2013. The higher share was due to both logistics outsourcing and stronger of e-commerce. According to the National Statistical Institute, e-commerce grew 14.4% in 2013 and sector's turnover accelerated to 22%. About 60% of internet users in Bulgaria use internet for shopping regularly and the number of e-stores is expected to increase further, according to the Bulgarian Association for E-commerce.

The Romanian courier market is estimated to be 3x larger than the Bulgarian. However, it is highly fragmented with 300+ companies present. The Romanian postal incumbent CNPR has a 10% share of the parcel market, with the top 10 companies accounting for about 50% of the parcel traffic in 2012, according to the Romanian communications regulator ANCOM. DPD is among the leading courier companies with 700+ vehicles, 72 offices in the country, 2 national and 5 regional hubs. The leading courier's turnover exceeded EUR 50M, while the second largest by market share reported EUR 26M. DPD Romania has about 4% market share with approx. EUR 15M revenues in 2013 and 3M delivered shipments.

*Courier services account for 65% of the postal sector's revenues*

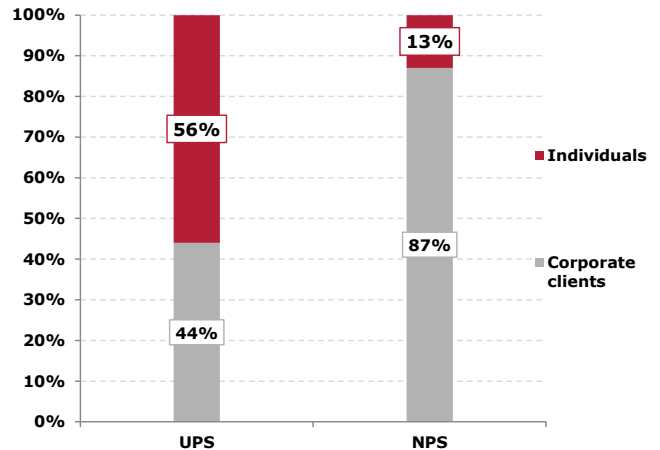
*Corporate customers – the most important segment*

Exhibit 3: Courier services represent largest part of the postal industry in Bulgaria



Source: Communications Regulation Commission, 2013 Data

Exhibit 4: Corporate clients - drivers for the NPS



Source: Communications Regulation Commission

**SPEEDY'S MARKET PRESENCE**

Speedy is the leader in Bulgaria both the NPS and the courier segment with a 32% and 37% market share, respectively. Over 95% of the company's revenues come from courier services dominated by domestic deliveries on the B2B segment. Corporate clients account for approx. 90% of the revenues as the Company diversifies the logistics services it offers to them. Speedy's newest service - Pallet One, aims at capturing additional corporate revenue by offering clients customized pallet platforms useful for both ad hoc logistics and supply chain optimization.

*Speedy - leading courier company with 37% market share*

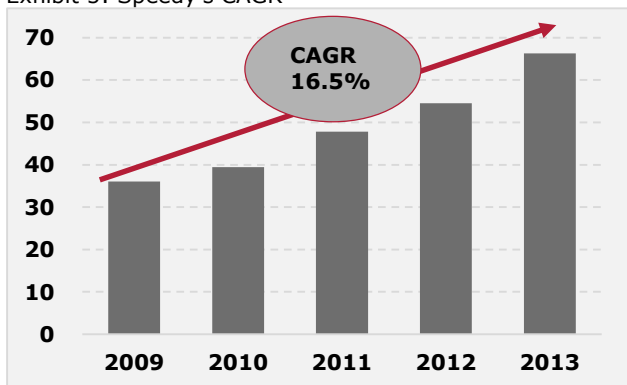
The Group operates 6 distribution centers and 90 offices which allows for 100% coverage of the country. To better service the B2C market, the Company is expanding in smaller towns through the Speedy Parcel Shop program. Partnering with smaller shops it expands its network by creating new delivery points all over the country that can service more individual clients. By mid-2014, 125 such shops were opened. Another 40 are expected by the end of the year. Speedy does not maintain the staff in these new service points, as the service is provided by partners. The SPS program helps lower delivery costs as recipients receive their packages in these shops while maintaining prices as in normal Speedy offices.

*Leader on the B2B segment, gaining speed on the B2C*

Econt Express is Speedy's main competitor in the B2C segment as the former is specialized in standard deliveries of smaller parcels to individual clients. Speedy has a competitive advantage in standard deliveries to corporate clients and larger packages. By maintaining competitive pricing and flexible services the Group is able to maintain its leading position on the courier market in terms of land standard and express land deliveries.

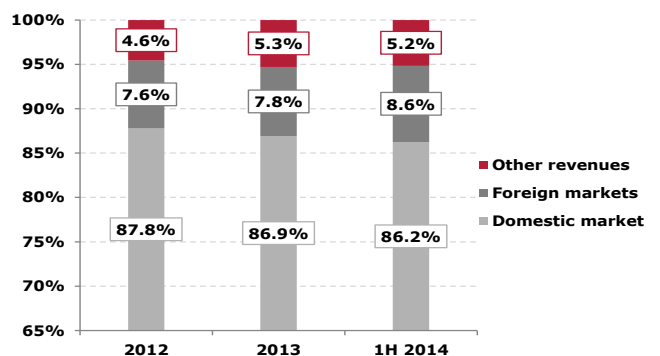
Other major players on the market are DHL, In Time and M&BM Express. The first, however, is specialized in international express air deliveries. In Time and M&BM have less developed delivery network with M&BM specializing in hybrid mail and only recently, after being acquired by the Osterreichische Post, decided to go into parcel delivery services.

Exhibit 5: Speedy's CAGR

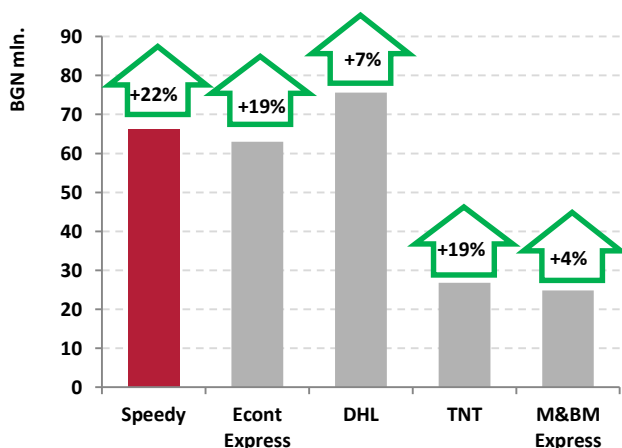
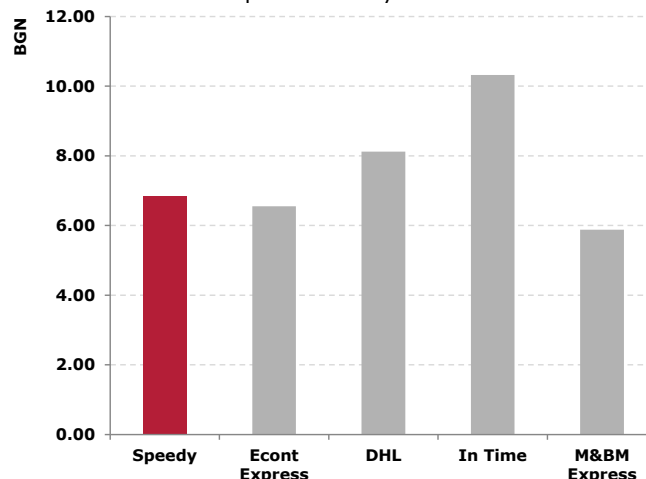


Source: Speedy

Exhibit 6: Main markets, % of total revenues



Source: Speedy

**Exhibit 7: Speedy and other market players in Bulgaria**

**Exhibit 8: Price for express delivery of documents**


Source: Trade Registry; Companies financial reports, FY 2013

Source: Elana Trading

### FINANCIAL ANALYSIS AND VALUATION

Speedy is a solid company with a strong presence on the Bulgarian courier market. The investments it has made in the 2013 in fleet renewal and the cost restructuring program it has started will allow it continue generating considerable cash flows. Therefore, we base our valuation on the discounted cash flow model.

The consolidated results multiples are presented in the following tables and reveal that in terms of P/E ratio Speedy is undervalued compared to peers. It is also undervalued in terms of EV/EBITDA multiple as the GeoPost deal in 2020 is set at 8x EV/EBITDA. However, peers multiples show extreme values and many outliers, therefore we disregard the peers valuation method in our analysis and present it only for informational purposes.

Our DCF analysis is on consolidated basis, based on our forecasts for the company's financials after the planned acquisition of GeoPost's subsidiaries in Bulgaria and Romania. The deal with GeoPost and the acquisition of DPD Romania will also put Speedy on solid ground in terms of international deliveries, therefore we consider the Company to be an attractive long term investment with moderate price volatility.

	2012	2013	TTM	2014E
<b>Last Price</b>	51.50	22.00	25.10	25.10
<b>Number of Shares, year end</b>	1,482,200	4,446,600	4,446,600	5,535,920
<b>Market Capitalization</b>	76,333,300	97,829,647	111,609,660	138,951,592
<b>Net Profit</b>	7,614,000	8,827,000	8,509,000	11,652,803
<b>P/E</b>	10.03	7.38	13.12	9.96
<b>Equity</b>	10,523,000	14,933,000	14,489,000	41,413,401
<b>P/B</b>	7.25	6.55	7.70	3.36
<b>Sales</b>	54,524,000	66,297,000	71,539,000	106,075,200
<b>P/S</b>	1.40	1.48	1.56	1.31
<b>EV</b>	78,225,300	99,255,647	119,046,660	147,605,685
<b>EBITDA</b>	11,050,000	13,558,000	14,175,000	17,905,494
<b>EV/EBITDA</b>	7.08	7.32	8.40	8.24
<b>RoE</b>	80.33%	69.35%	68.30%	41.36%
<b>RoA</b>	32.68%	28.06%	30.34%	19.56%

### FINANCIAL PERFORMANCE ANALYSIS

Speedy grew faster than the overall courier market. The Group reported 16.5% CAGR over the past five years. The effect of the acquisitions of DPD Romania and GeoPost Bulgaria should result in a 60% increase in 2014 revenues. Afterwards, the Company's management expects 12% to 15% organ growth. Even though our 2015 and 2016 growth forecasts are in line with management's expectations, in the long run we are more conservative and expect by 2018 the company's growth to converge to the industry's average.

During the past couple of years Speedy has also outperformed the market in terms of

*Organic growth is expected to exceed 12%*

EBITDA and profit margins. EBITDA margins averaged 18.8% during the past four years, peaking at 20.45% in 2013 just to fall to 19.5% in the first half of 2014 due to lower profitability on the international deliveries (especially in Romania) which have increased to 8.6% of revenues.

Net profit margin, however, will be affected by higher depreciation due to the renewal of the Company's fleet. In 2012 and 2013, the Company has renewed 2/3 of its vehicles which has increased depreciation in 2014. However, in the coming years this will lower the need to invest in new assets, thus increase EBITDA and cash flow available to the firm.

On the other hand, the Romanian market even though fragmented is less profitable which will put pressure on the Company's profitability. The e-commerce industry that is expected to drive revenue growth is also less profitable and will add to profitability pressures. The cost restructuring program that is expected to be fully effective in 2015 should stabilize margins, thus we expect EBITDA to stabilize at 16%.

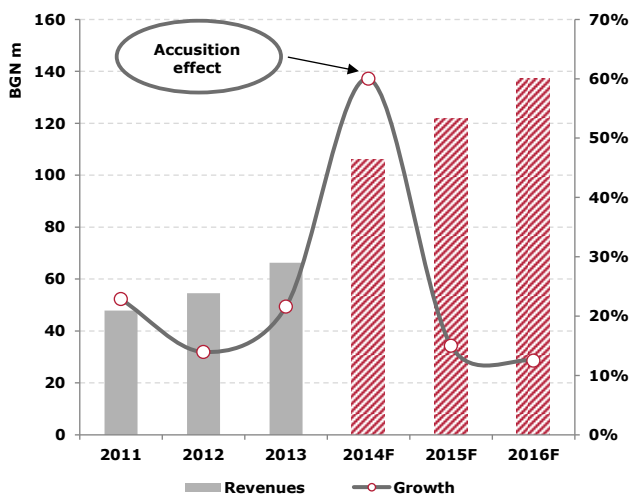
Net profit margin may be affected by higher interest expenses. Acquisitions of DPD Romania and GeoPost Bulgaria will be partly financed by bank loan at up to 4.5% annual interest rate. Nevertheless, we expect net profit margin to improve faster than EBITDA margin due to the generated cash flow and the expected decrease of debt burden

According to our financial model, Speedy will generate sizable cash flows that should be used for either increase in dividend payments or lowering of debt. The Company has sound liquidity ratios and will not face any difficulties in servicing its loans.

*Speedy will generate sizable cash flow*

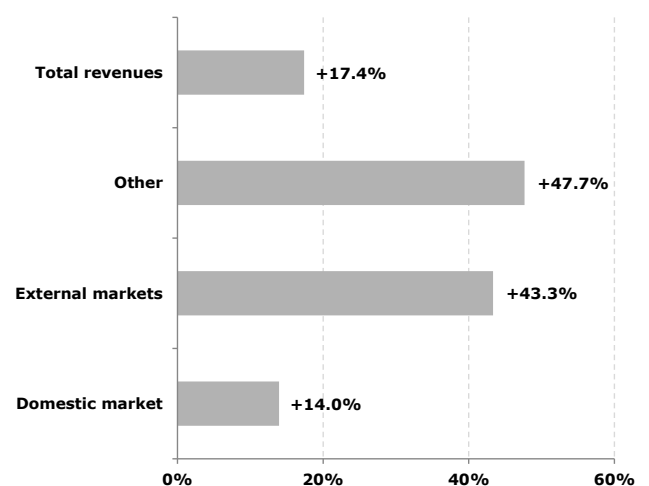
Speedy has BGN 3.5 m receivables from related parties. The sum decreased due to the measures to separate Speedy from the related business of its majority shareholder, but the issue should be monitored.

Exhibit 9: 60% expected growth of revenues in 2014



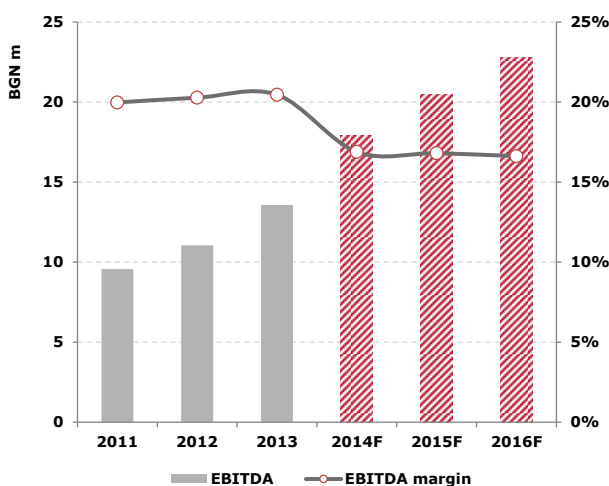
Source: Elana Trading estimates, company data

Exhibit 10: Faster growth of deliveries abroad in H1'2014



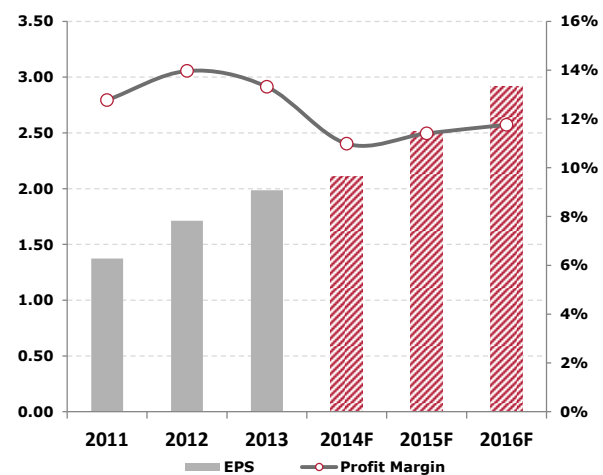
Source: Company data

Exhibit 11: EBITDA margin to stabilize at 16%



Source: Elana Trading estimates, company data

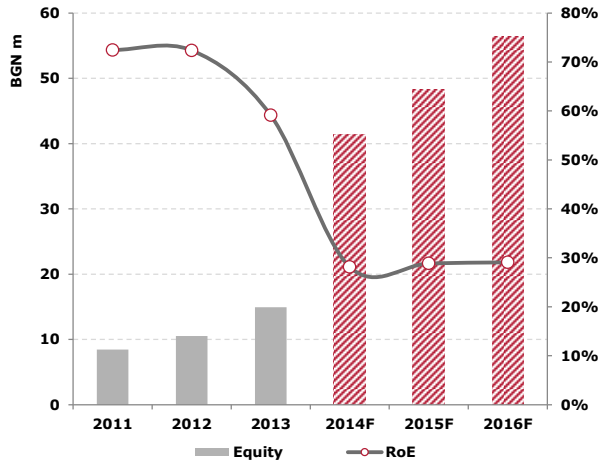
Exhibit 12: Net profit margin to improve faster than EBITDA



Source: Elana Trading estimates, company data

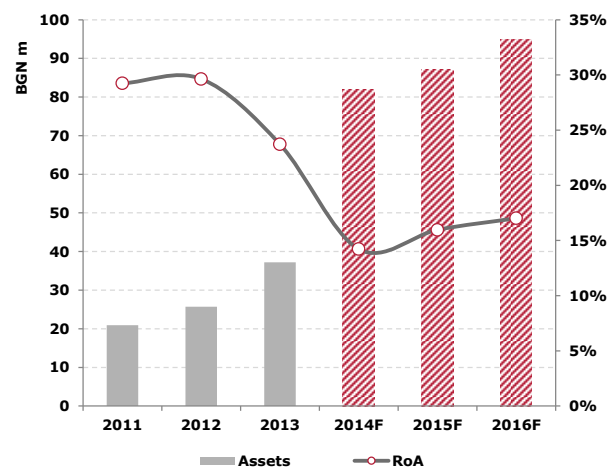


Exhibit 13: The forthcoming capital increase will lower RoE to level of 30% afterwards



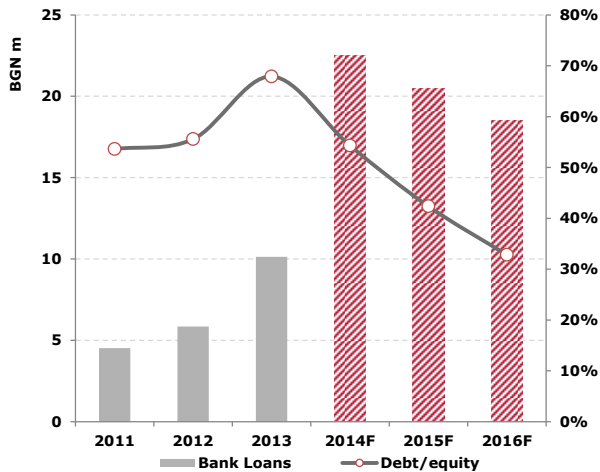
Source: Elana Trading estimates, company data

Exhibit 14: Continuation of assets' growth after the acquisitions and expected RoA above 15%



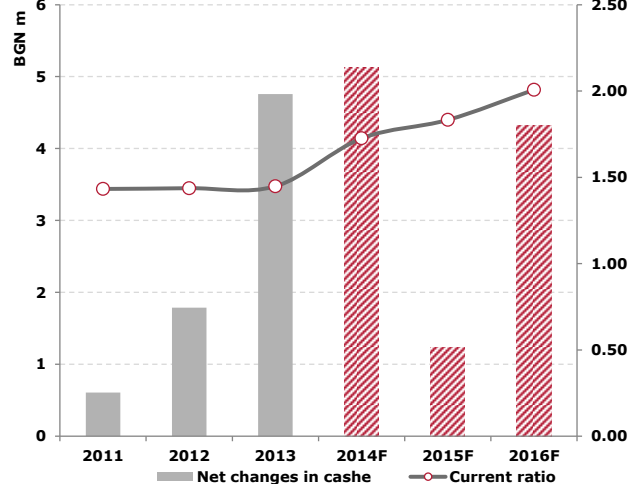
Source: Elana Trading estimates, company data

Exhibit 14: Debt/equity ratio will decline due to the capital raise this year



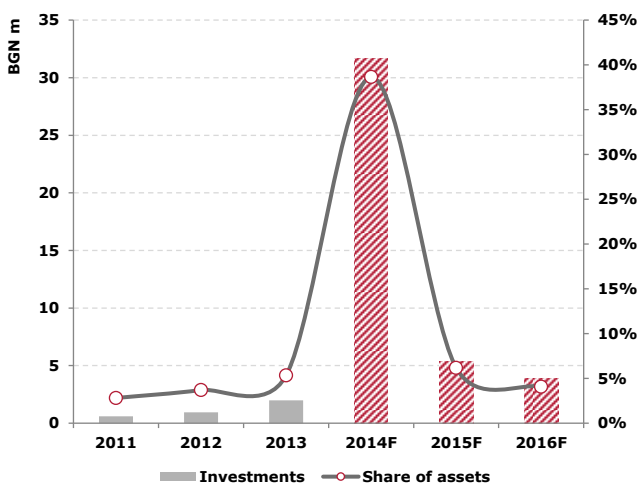
Source: Elana Trading estimates, company data

Exhibit 15: Excellent liquidity and solid cash flows due to good profits



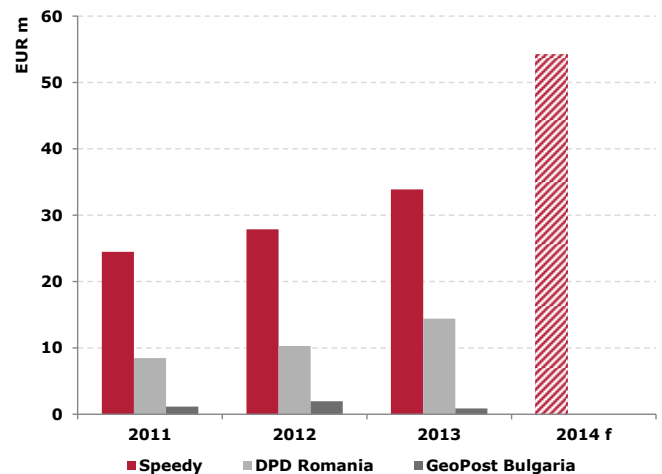
Source: Elana Trading estimates, company data

Exhibit 16: The acquisition of Romanian assets will require higher investments



Source: Elana Trading estimates, company data

Exhibit 17: The solid growth of DPD Romania (40% in 2013) will contribute to further increase of revenue



Source: Elana Trading estimates, company data

## VALUATION OF SPEEDY

We present a comparison to main multiples of courier companies, despite the difference on size. Speedy has lower P/E ratio than the leading sector players, whereas higher P/B and P/S multiples characterize the advantage of better profitability. When considering the premium to book value, we should note that Speedy leases most of its vehicles and rents offices and warehouses. Moreover, the share of subcontractors will continue to increase.

We expect the cash flows of Speedy to improve further in the next few years. Sales from deliveries abroad will exceed the overall growth as GeoPost Bulgaria will contribute for faster increase from the smaller base of the segment. After the entry on Romania, the country should be regarded as domestic market for Speedy.

Our valuation is based on the expectations for double-digit growth of deliveries abroad for Speedy in Bulgaria, whereas operations in Romania will grow due to e-commerce. High brand recognition and favorable price conditions will contribute to the development on the domestic market. In terms of improvement of profit margins, the Company will gain from services like standardized pallet service – Pallet one, that give flexibility and reduce delivery costs.

When estimating Speedy's WACC we consider the Company's ability to receive relatively cheap debt financing. It managed to negotiate bank loans at relatively low floating interest rate. Therefore, our starting WACC is at 6.22% but we expect it to grow gradually to 11.8% as we forecast Bulgaria's risk free rate to increase in the coming decade both due to expected higher base rates in Europe and higher debt financing by the Bulgarian state.

Speedy's beta is well below 1, according to Bloomberg data, which is consequence of lower liquidity a year ago, when the majority owner started to increase the free-float. We expect the beta to increase gradually over time but to remain below 1 as most minority shareholders are long-term value oriented investors.

The discounted cash flows model is adjusted to the capital increase due to the deal with GeoPost and is based on our estimations for the company's performance afterwards. We assume a decrease of yearly growth of revenues from 15% - 12% in 2015 and 2016 to 8% - 6% in 2017 - 2018. EBITDA margin is expected to be around 16%, while depreciation to remain 9% of fixed assets.

The intrinsic value of Speedy is BGN 38.43, calculated by our forecasts for WACC. We also provide sensitivity analysis on the price per share, based on fixed WACC for the period and terminal growth and EBIT margin.

*Cash flows to improve further in the next few years, due mainly to acquisition*

## SECTOR COMPARISON

Company	Country	Market Cap - USD m	P/E	P/B	P/S	EV/EBITDA	Courier Services Revenue (%)
<b>Speedy</b>	Bulgaria	75	13.12	7.70	1.56	8.40	100
<b>GD Express Carrier</b>	Malaysia	571	80.42	19.82	11.31	58.94	100
<b>PostNL</b>	Netherlands	2,212	5.10	-	0.40	4.19	100
<b>Royal Mail</b>	United Kingdom	7,456	3.52	1.88	0.48	7.22	100
<b>TNT Express</b>	Netherlands	4,071	63.64	1.29	0.48	9.72	100
<b>Oesterreichische Post</b>	Austria	3,132	20.13	3.78	1.02	6.50	98
<b>INTEGER.PL</b>	Poland	535	79.05	4.09	3.87	42.46	95
<b>United Parcel Service</b>	USA	88,911	21.66	16.05	1.60	12.32	82
<b>Pos Malaysia Berhad</b>	Malaysia	824	18.70	2.57	1.86	7.51	81
<b>YAMATO HOLDINGS</b>	Japan	9,354	27.97	1.64	0.65	8.67	79
<b>FedEx</b>	USA	41,991	22.01	2.81	1.00	7.34	72
<b>Singapore Post</b>	Singapore	2,919	25.31	8.54	4.42	17.67	51

## WACC CALCULATION

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	TERMINAL YEAR
RISK FREE RATE	2.26%	2.50%	3.00%	3.50%	3.50%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
EQUITY RISK PREMIUM	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
BETA	0.55	0.65	0.75	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85
<b>COST OF EQUITY</b>	<b>7.76%</b>	<b>9.00%</b>	<b>10.50%</b>	<b>12.00%</b>	<b>12.00%</b>	<b>12.50%</b>	<b>12.50%</b>	<b>12.50%</b>	<b>12.50%</b>	<b>12.50%</b>	<b>12.50%</b>
COST OF DEBT	5.00%	5.25%	5.50%	5.75%	5.75%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
EFFECTIVE TAX RATE	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
<b>AFTER-TAX COST OF DEBT</b>	<b>4.50%</b>	<b>4.73%</b>	<b>4.95%</b>	<b>5.18%</b>	<b>5.18%</b>	<b>5.40%</b>	<b>5.40%</b>	<b>5.40%</b>	<b>5.40%</b>	<b>5.40%</b>	<b>5.40%</b>
WEIGHT OF EQUITY	65%	70%	75%	82%	90%	90%	90%	90%	90%	90%	90%
<b>WACC</b>	<b>6.61%</b>	<b>7.73%</b>	<b>9.13%</b>	<b>10.79%</b>	<b>11.29%</b>	<b>11.79%</b>	<b>11.79%</b>	<b>11.79%</b>	<b>11.79%</b>	<b>11.79%</b>	<b>11.79%</b>

**DISCOUNTED CASH FLOWS**

BGN'000	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	TERMINAL YEAR
<b>EBIT</b>	14,002	16,590	18,938	20,750	21,995	23,095	24,134	25,099	26,103	27,017	27,962
<b>EBIT(1-T)</b>	12,602	14,931	17,045	18,675	19,795	20,785	21,721	22,589	23,493	24,315	25,166
<b>ADD: D&amp;A</b>	3,904	3,908	3,865	4,043	4,237	4,449	4,649	4,835	5,029	5,205	5,387
<b>LESS: INVESTMENTS</b>	31,663	5,393	3,865	6,074	6,994	4,691	4,877	5,045	5,247	5,403	5,592
<b>LESS: CHANGE NWC</b>	4,314	1,692	1,464	-302	-474	566	238	221	229	209	224
<b>FCF</b>	-19,471	11,754	15,581	16,946	17,513	19,978	21,256	22,158	23,045	23,908	24,738
<b>PV FCF</b>	-18,857	10,512	12,524	11,839	10,820	10,823	10,300	9,605	8,936	8,293	
<b>SUM OF PV FCF</b>	74,796										
<b>PV OF CONTINUING VALUE</b>	103,508										
<b>TOTAL PV FREE CASH FLOWS</b>	178,304										
<b>LESS: OUTSTANDING DEBT</b>	10,069										
<b>PLUS: FINANCIAL ASSETS</b>	2,632										
<b>PV OF EQUITY</b>	<b>170,867</b>										
<b>NUMBER OF SHARES ('000)</b>	4,447										
<b>PRICE PER SHARE</b>	<b>38.43</b>										

**SENSITIVITY ANALYSIS**

Exhibit 18: Terminal growth

	2.0%	3.0%	3.5%	4.0%	5.0%
<b>WACC</b> 10.0%	43.07	47.21	49.76	52.73	60.45
11.0%	37.92	40.89	42.67	44.71	49.79
12.0%	33.97	36.16	37.45	38.90	42.42
13.0%	30.87	32.53	33.49	34.55	37.08
14.0%	28.40	29.68	30.41	31.21	33.08

Source: Elana Trading estimates

Exhibit 19: Terminal EBIT margin

	12.0%	13.0%	14.0%	15.0%	16.0%
<b>WACC</b> 10.0%	44.73	47.24	49.76	52.27	54.79
11.0%	38.67	40.67	42.67	44.67	46.67
12.0%	34.21	35.83	37.45	39.07	40.69
13.0%	30.82	32.15	33.49	34.82	36.15
14.0%	28.19	29.30	30.41	31.52	32.63

Source: Elana Trading estimates

**RECOMMENDATION AND PRICE TARGET**

We maintain the BUY recommendation on Speedy's shares before and after the capital increase. Moreover, shareholders received this year BGN 1.00 dividend per share or 4% yield. We expect the positive trend of the stock to continue.

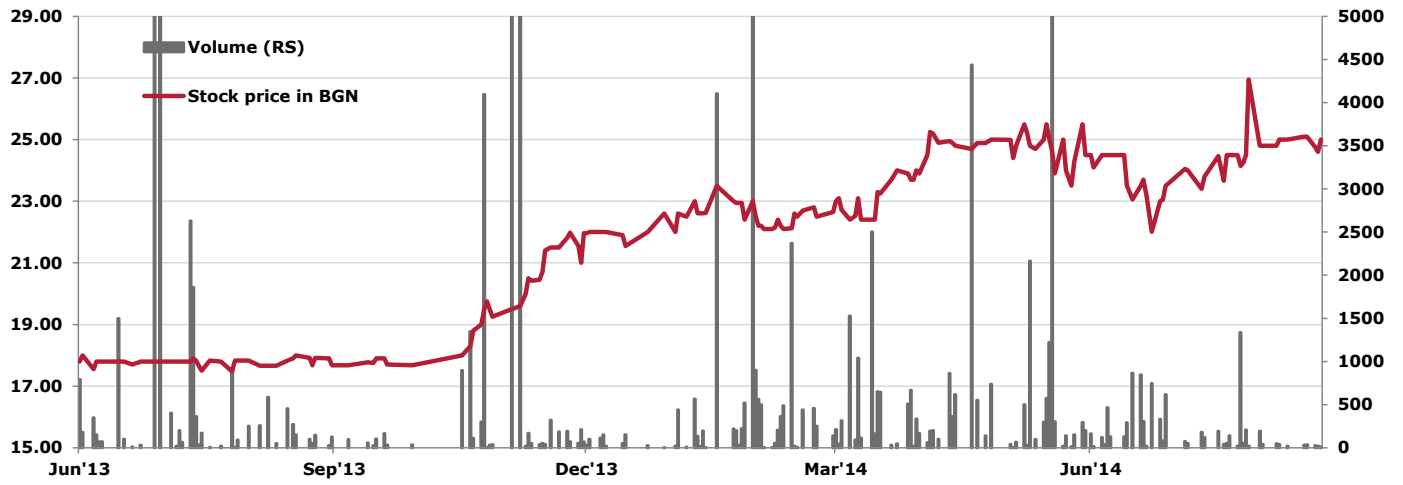
Our 12-month target price is BGN 38.43, based on our DCF model. This represents 53% increase. We expect that the performance of the stock would be related to the forecasted increase of financial result and a multiples expansion.

In terms of significant investors involved in our stock market, we share the following observations:

- Foreign investors who are looking for exposure in domestic companies with high growth were stopped by the low liquidity of the stock. However, the trading volumes are rising along with the higher free-float and we expect to see demand for rights at the planned capital increase. The investment shall be suitable for long term investors with a 5 year exit plan looking for a 5 dividend yield and double digit capital gain.
- Bulgarian institutional investors are not very active at the moment. However, the stock is considered interesting and attractive investment with several large local institutional investors (pension and mutual funds).
- Domestic private investors are increasing their exposures as the supply is limited. Stocks for sale came from the majority shareholder during the previous twelve months. Investors have very positive attitude toward the position as the company is a well-managed company, a well-known brand its financial results improved.

*Recommendation: BUY*  
*Target Price: BGN 38.43*  
*Increase: 53%*

STOCK PRICE DYNAMICS



**ANNUAL FINANCIAL DATA(AUDITED)**

<b>INCOME STATEMENT ('000 BGN)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>TTM</b>	<b>6M 2013</b>	<b>6M 2014</b>
<b>REVENUE</b>	<b>47,846</b>	<b>54,524</b>	<b>66,297</b>	<b>71,539</b>	<b>30,112</b>	<b>35,354</b>
OPERATING EXPENSES	41,537	46,207	55,915	61,353	25,302	30,740
CHANGE IN INVENTORIES	0	0	0	0	0	0
COST OF MATERIAL	5,872	7,959	8,305	7,187	4,433	3,315
COST OF LABOR	15,384	18,857	20,383	18,504	10,127	8,248
COST OF EXTERNAL SERVICES	12,957	13,686	21,348	29,111	8,095	15,858
DEPRECIATION AND AMORTIZATION	3,247	2,733	3,176	3,989	1,459	2,272
NET BOOK VALUE OF ASSETS SOLD	2,699	1,654	1,428	1,332	707	611
OTHER COSTS	1,378	1,318	1,275	1,230	481	436
<b>OPERATING INCOME</b>	<b>6,309</b>	<b>8,317</b>	<b>10,382</b>	<b>10,186</b>	<b>4,810</b>	<b>4,614</b>
INTEREST EXPENSE	304	307	401	503	158	260
FOREIGN EXCHANGE LOSSES (GAINS)	3	1	6	9	2	5
NET NON-OPERATING LOSSES (GAINS)	(802)	(469)	108	160	(151)	(99)
<b>PRETAX INCOME</b>	<b>6,804</b>	<b>8,478</b>	<b>9,867</b>	<b>9,514</b>	<b>4,801</b>	<b>4,448</b>
INCOME TAX EXPENSE	694	864	1,040	1,005	480	445
<b>INCOME BEFORE XO ITEMS</b>	<b>6,110</b>	<b>7,614</b>	<b>8,827</b>	<b>8,509</b>	<b>4,321</b>	<b>4,003</b>
EXTRAORDINARY LOSS NET OF TAX	0	0	0	0	0	0
MINORITY INTEREST	0	0	0	0	0	0
<b>NET INCOME</b>	<b>6,110</b>	<b>7,614</b>	<b>8,827</b>	<b>8,509</b>	<b>4,321</b>	<b>4,003</b>
<b>EARNINGS PER SHARE IN BGN</b>	<b>4.12</b>	<b>5.14</b>	<b>1.99</b>	<b>1.91</b>	<b>0.97</b>	<b>0.90</b>
<b>BALANCE SHEET ('000 BGN)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>TTM</b>	<b>6M 2013</b>	<b>6M 2014</b>
CASH AND NEAR CASH ITEMS	2,169	3,956	8,714	2,632	824	2,632
SHORT-TERM INVESTMENTS	0	0	0	0	0	0
ACCOUNTS AND NOTES RECEIVABLE	11,672	12,016	11,892	12,321	10,973	12,321
INVENTORIES	438	556	605	709	955	709
OTHER CURRENT ASSETS	582	329	549	437	479	437
<b>TOTAL CURRENT ASSETS</b>	<b>14,861</b>	<b>16,857</b>	<b>21,760</b>	<b>16,099</b>	<b>13,231</b>	<b>16,099</b>
LT INVESTMENTS AND LT RECEIVABLES	0	0	0	0	0	0
NET FIXED ASSETS	5,527	8,251	14,671	15,548	9,663	15,548
OTHER LONG-TERM ASSETS	512	584	784	889	653	889
<b>TOTAL LONG-TERM ASSETS</b>	<b>6,039</b>	<b>8,835</b>	<b>15,455</b>	<b>16,437</b>	<b>10,316</b>	<b>16,437</b>
<b>TOTAL ASSETS</b>	<b>20,900</b>	<b>25,692</b>	<b>37,215</b>	<b>32,536</b>	<b>23,547</b>	<b>32,536</b>
ACCOUNTS PAYABLE	6,826	5,039	6,142	7,419	6,284	7,419
SHORT-TERM BORROWINGS	2,429	2,409	2,884	2,851	2,002	2,851
OTHER SHORT-TERM LIABILITIES	1,117	4,282	6,000	559	645	559
<b>TOTAL CURRENT LIABILITIES</b>	<b>10,372</b>	<b>11,730</b>	<b>15,026</b>	<b>10,829</b>	<b>8,931</b>	<b>10,829</b>
LONG-TERM BORROWINGS	2,094	3,439	7,256	7,218	4,189	7,218
OTHER LONG-TERM LIABILITIES	0	0	0	0	0	0
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>2,094</b>	<b>3,439</b>	<b>7,256</b>	<b>7,218</b>	<b>4,189</b>	<b>7,218</b>
<b>TOTAL LIABILITIES</b>	<b>12,466</b>	<b>15,169</b>	<b>22,282</b>	<b>18,047</b>	<b>13,120</b>	<b>18,047</b>
TOTAL PREFERRED EQUITY	0	0	0	0	0	0
MINORITY INTEREST	0	0	0	0	0	0
SHARE CAPITAL & APIC	1,482	1,482	4,447	4,447	4,447	4,447
RETAINED EARNINGS & OTHER EQUITY	6,952	9,041	10,486	10,042	5,980	10,042
<b>TOTAL EQUITY</b>	<b>8,434</b>	<b>10,523</b>	<b>14,933</b>	<b>14,489</b>	<b>10,427</b>	<b>14,489</b>
<b>WORKING CAPITAL</b>	<b>2,320</b>	<b>1,171</b>	<b>(1,980)</b>	<b>2,638</b>	<b>3,476</b>	<b>2,638</b>
<b>NUMBER OF SHARES:</b>	1,482,200	1,482,200	4,446,600	4,446,600	4,446,600	4,446,600
<b>PRICE IN BGN - PERIOD END:</b>	<b>N/A</b>	<b>51.50</b>	<b>22.00</b>	<b>25.10</b>	<b>17.80</b>	<b>23.00</b>
<b>MARKET CAP IN BGN - PERIOD END:</b>	N/A	76,333	97,830	111,610	79,149	102,272

<b>CASH FLOW STATEMENT ('000 BGN)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>TTM</b>	<b>6M 2013</b>	<b>6M 2014</b>
NET INCOME	6,110	7,614	8,827	8,509	4,321	4,003
DEPRECIATION& AMORTIZATION	3,247	2,733	3,176	3,989	1,459	2,272
OTHER NON-CASH ADJUSTMENTS	(503)	(3,123)	(812)	(3,952)	5,352	2,212
CHANGES IN NON-CASH CAPITAL	(1,127)	1,149	3,151	3,989	(5,456)	(4,618)
<b>CASH FROM OPERATIONS</b>	<b>7,727</b>	<b>8,373</b>	<b>14,342</b>	<b>12,535</b>	<b>5,676</b>	<b>3,869</b>
DISPOSAL OF FIXED ASSETS	0	494	725	249	544	68
CAPITAL EXPENDITURES	(588)	(952)	(1,983)	(1,867)	(440)	(324)
INCREASE IN INVESTMENTS	0	0	0	0	0	0
DECREASE IN INVESTMENTS	0	0	0	0	0	0
OTHER INVESTING ACTIVITIES	0	0	0	0	0	0
<b>CASH FROM INVESTING ACTIVITIES</b>	<b>(588)</b>	<b>(458)</b>	<b>(1,258)</b>	<b>(1,618)</b>	<b>104</b>	<b>(256)</b>
DIVIDENDS PAID	(3,671)	(5,013)	(4,410)	(2,217)	(4,414)	(2,221)
CHANGE IN SHORT-TERM BORROWINGS	1,937	(20)	475	849	(407)	(33)
CHANGE IN LONG-TERM BORROWINGS	627	1,345	3,817	3,029	750	(38)
INCREASE IN CAPITAL STOCKS	0	0	0	0	0	0
DECREASE IN CAPITAL STOCKS	0	0	0	0	0	0
OTHER FINANCIAL ACTIVITIES	(5,424)	(2,440)	(8,208)	(10,770)	(4,841)	(7,403)
<b>CASH FROM FINANCING ACTIVITIES</b>	<b>(6,531)</b>	<b>(6,128)</b>	<b>(8,326)</b>	<b>(9,109)</b>	<b>(8,912)</b>	<b>(9,695)</b>
<b>NET CHANGES IN CASH</b>	<b>608</b>	<b>1,787</b>	<b>4,758</b>	<b>1,808</b>	<b>(3,132)</b>	<b>(6,082)</b>
<b>END-OF-PERIOD CASH</b>	<b>2,366</b>	<b>3,956</b>	<b>8,714</b>	<b>2,632</b>	<b>824</b>	<b>2,632</b>
<b>CASH PER SHARE</b>	<b>1.60</b>	<b>2.67</b>	<b>1.96</b>	<b>0.59</b>	<b>0.19</b>	<b>0.59</b>

<b>FINANCIAL AND PERFORMANCE INDICATORS</b>	<b>2012</b>	<b>2013</b>	<b>TTM</b>
<b>VALUATION</b>			
PRICE/EARNINGS (P/E)	10.03	7.38	13.12
PRICE/BOOK (P/B)	7.25	6.55	7.70
PRICE/SALES (P/S)	1.40	1.48	1.56
PRICE/CASH PER SHARE	7.38	8.15	8.93
EV (IN '000 BGN)	78,225	99,256	119,047
EV/EBITDA	7.08x	7.32x	8.40x
<b>PROFITABILITY</b>			
RETURN ON COMMON EQUITY	80.33%	69.35%	68.30%
RETURN ON ASSETS	32.68%	28.06%	43.51%
RETURN ON INVESTED CAPITAL	53.80%	44.33%	36.69%
EBITDA MARGIN	20.27%	20.45%	19.81%
OPERATING MARGIN	15.25%	15.66%	14.24%
NET INCOME MARGIN	13.96%	13.31%	11.89%
<b>DIVIDEND</b>			
DIVIDEND YIELD	5.79%	4.55%	
DIVIDEND PER SHARE	2.98	1.00	
<b>LIQUIDITY</b>			
CURRENT RATIO	1.44	1.45	1.49
QUICK RATIO	1.36	1.37	1.38
<b>CREDIT</b>			
LT DEBT/EQUITY	0.33	0.49	0.50
TOTAL DEBT/EQUITY	0.56	0.68	0.69
TOTAL DEBT/TOTAL ASSETS	0.23	0.27	0.31
EBITDA/INTEREST EXPENSE	35.99	33.81	28.18

**QUARTERLY FINANCIAL DATA (UNAUDITED)**

<b>INCOME STATEMENT ('000 BGN)</b>	<b>Q3 2012</b>	<b>Q4 2012</b>	<b>Q1 2013</b>	<b>Q2 2013</b>	<b>Q3 2013</b>	<b>Q4 2013</b>	<b>Q1 2013</b>	<b>Q2 2014</b>
<b>REVENUE</b>	<b>38,552</b>	<b>15,972</b>	<b>14,617</b>	<b>15,495</b>	<b>16,697</b>	<b>19,488</b>	<b>17,272</b>	<b>18,082</b>
OPERATING EXPENSES	31,562	14,645	10,663	14,639	12,581	18,032	14,283	16,457
COST OF MATERIAL	5,652	2,307	2,065	2,368	1,920	1,952	1,768	1,547
COST OF LABOR	12,232	6,625	3,426	6,701	3,469	6,787	3,204	5,044
COST OF EXTERNAL SERVICES	9,638	4,048	3,846	4,249	5,641	7,612	7,674	8,184
DEPRECIATION AND AMORTIZATION	2,290	443	713	746	863	854	1,113	1,159
NET BOOK VALUE OF ASSETS SOLD	1,103	551	393	314	339	382	286	325
OTHER COSTS	647	671	220	261	349	445	238	198
<b>OPERATING INCOME</b>	<b>6,990</b>	<b>1,327</b>	<b>3,954</b>	<b>856</b>	<b>4,116</b>	<b>1,456</b>	<b>2,989</b>	<b>1,625</b>
<b>NET INCOME</b>	<b>6,425</b>	<b>1,189</b>	<b>3,558</b>	<b>763</b>	<b>3,688</b>	<b>818</b>	<b>2,553</b>	<b>1,450</b>

<b>BALANCE SHEET ('000 BGN)</b>	<b>Q3 2012</b>	<b>Q4 2012</b>	<b>Q1 2013</b>	<b>Q2 2013</b>	<b>Q3 2013</b>	<b>Q4 2013</b>	<b>Q1 2013</b>	<b>Q2 2014</b>
<b>ASSETS</b>								
CASH & NEAR CASH ITEMS	578	3,956	3,208	824	3,014	8,714	7,254	2,632
ACCOUNTS & NOTES RECEIVABLE	12,016	12,016	12,016	10,973	11,173	11,892	11,417	12,321
INVENTORIES	559	556	568	955	542	605	420	709
<b>TOTAL CURRENT ASSETS</b>	<b>13,550</b>	<b>16,857</b>	<b>16,266</b>	<b>13,231</b>	<b>15,193</b>	<b>21,760</b>	<b>19,604</b>	<b>16,099</b>
NET FIXED ASSETS	6,305	8,251	8,394	9,663	11,731	14,671	14,470	15,548
OTHER LONG-TERM ASSETS	1,385	584	603	653	709	784	835	889
TOTAL LONG-TERM ASSETS	7,690	8,835	8,997	10,316	12,440	15,455	15,305	16,437
<b>TOTAL ASSETS</b>	<b>21,240</b>	<b>25,692</b>	<b>25,263</b>	<b>23,547</b>	<b>27,633</b>	<b>37,215</b>	<b>34,909</b>	<b>32,536</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>								
ACCOUNTS PAYABLE	5,950	5,039	5,450	6,284	6,553	6,142	5,573	7,419
SHORT-TERM BORROWINGS	2,106	2,409	1,834	2,002	2,223	2,884	2,852	2,851
OTHER SHORT-TERM LIABILITIES	382	4,282	562	645	78	6,000	2,146	559
<b>TOTAL CURRENT LIABILITIES</b>	<b>8,438</b>	<b>11,730</b>	<b>7,846</b>	<b>8,931</b>	<b>8,854</b>	<b>15,026</b>	<b>10,571</b>	<b>10,829</b>
LONG-TERM BORROWINGS	3,422	3,439	3,336	4,189	4,664	7,256	6,852	7,218
TOTAL LONG-TERM LIABILITIES	3,422	3,439	3,336	4,189	4,664	7,256	6,852	7,218
<b>TOTAL LIABILITIES</b>	<b>11,860</b>	<b>15,169</b>	<b>11,182</b>	<b>13,120</b>	<b>13,518</b>	<b>22,282</b>	<b>17,423</b>	<b>18,047</b>
<b>TOTAL EQUITY</b>	<b>9,380</b>	<b>10,523</b>	<b>14,081</b>	<b>10,427</b>	<b>14,115</b>	<b>14,933</b>	<b>17,486</b>	<b>14,489</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>21,240</b>	<b>25,692</b>	<b>25,263</b>	<b>23,547</b>	<b>27,633</b>	<b>37,215</b>	<b>34,909</b>	<b>32,536</b>

<b>CASH FLOW STATEMENT ('000 BGN)</b>	<b>Q3 2012</b>	<b>Q4 2012</b>	<b>Q1 2013</b>	<b>Q2 2013</b>	<b>Q3 2013</b>	<b>Q4 2013</b>	<b>Q1 2013</b>	<b>Q2 2014</b>
CASH FROM OPERATIONS	6,408	1,965	3,836	1,840	680	7,986	271	3,598
CASH FROM INVESTING ACTIVITIES	(296)	(162)	82	22	(1,133)	(229)	(521)	265
CASH FROM FINANCING ACTIVITIES	(7,703)	1,575	(4,666)	(4,246)	2,643	(2,057)	(1,210)	(8,485)
NET CHANGES IN CASH	(1,591)	3,378	(748)	(2,384)	2,190	5,700	(1,460)	(4,622)
<b>END-OF-PERIOD CASH</b>	<b>578</b>	<b>3,956</b>	<b>3,208</b>	<b>824</b>	<b>3,014</b>	<b>8,714</b>	<b>7,254</b>	<b>2,632</b>

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<b>BUY</b>	More than 5% higher as compared to SOFIX and BG40 performance
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<b>HOLD</b>	Market performance, +/-5% as compared to SOFIX and BG40
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<b>SELL</b>	More than 5% lower as compared to SOFIX and BG40 performance
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