

**Speedy** is the largest delivery service company in Bulgaria by market share. It has been established in 1998 in the second-largest city of Plovdiv. It is the largest courier and transportation service company in Bulgaria at the end of 2011 with 19% share of postal services and 37% of courier services in Bulgaria. The company's network of 84 offices in 55 domestic locations and its wholly owned fleet allow Speedy to extend its services and coverage map to 100% of the territory of Bulgaria. Presently, Speedy handles 550 000 shipments per month, ranging in weight from 0.5 kilograms to 6 000 kilograms.

**The domestic market** is representing 92% of Speedy's revenues. Moreover, the company's long-term contracts with corporate clients are generating 82% of revenues and are the primary source of growth. The crisis had positive effect on Speedy's activities as corporates turned to external transportation services. The sector is regulated.

**Financial performance** – Speedy is growing faster than the economy and the sector, thanks to the penetration of services among its clients. The profit margins are improving, although a change in the timetable of bonus payments for 2012 resulted to higher labor costs before year-end. The management expects that labor costs will maintain their previous year level and that net profit will exceed BGN 7.5 million. Thus P/E ratio at the offering should be 10. Half of the profit will be distributed as yearly dividend.

**Offering** – the majority shareholder is offering up to 20% of the existing shares /representing 296 440 shares/ on sale through the stock exchange. The price range is between BGN 51.50 and 55.00. The offering will continue for 8 trading sessions, starting November 14.

The latest report did not improved the ratios due to the increase of labor costs that resulted to lower net profit as compared to the first nine months of 2011. This is temporary and P/E and EV/EBITDA will decrease substantially if profit targets are reached. However, P/B is very high, which has negative impact on the comparative valuation to sector peers. Our forecasts are conservative – we expect 10% sales growth for 2012, followed by slower increase of revenues due to the crisis. The estimations for EBITDA margin in our model are also rather conservative – 20%.

	2010	2011	12M
Minimum Price	51.50	51.50	51.50
Number of Shares	1 482 200	1 482 200	1 482 200
Market Capitalization	76 333 300	76 333 300	76 333 300
Net Profit	2 652 000	5 476 000	4 043 000
P/E	28.78	13.94	18.88
Equity	6 387 000	7 306 000	9 380 000
P/B	11.95	10.45	8.14
Sales	38 948 000	47 567 000	51 601 000
P/S	1.96	1.60	1.48
EV	78 566 300	78 753 300	81 283 300
EBITDA	5 717 000	8 257 000	7 145 000
EV/EBITDA	13.74	9.54	11.38
RoE	41.52%	74.95%	43.10%
RoA	15.19%	26.59%	19.03%

Calculations: ELANA Trading

Sector's P/E and P/B ratios are resulting to fair value of BGN 73.33 and BGN 10.68, respectively. We expect that investors will focus mainly on the profitability of Speedy and the very high RoE. Our DCF model producer an intrinsic value of BGN 71.22 per share, which is very close to the discounted dividend value of BGN 80.72. Speedy has a potential of positive surprises in the case of economic improvement and we consider it an attractive long-term investment.

Method	Value	Price
P/E comparison to sector	15.89	73.33
P/B comparison to sector	1.48	10.68
DCF		71.22
DDM		80.72

Calculations: ELANA Trading

**Non-consolidated financial data**

Statement of Income (in '000 BGN)	2009	2010	2011	9M 2011	9M 2012
Sales	35 396	38 948	47 567	34 340	38 412
Production expenses	27 368	30 810	36 046	24 490	26 233
Personnel expenses	2 496	2 421	3 261	1 962	3 266
Net income from financial activities	(123)	211	581	593	381
Other revenues and expenses	0	0	0	0	0
<b>EBITDA</b>	<b>5 409</b>	<b>5 928</b>	<b>8 841</b>	<b>8 481</b>	<b>9 294</b>
Depreciation	3 171	2 978	2 752	2 069	2 063
<b>EBIT</b>	<b>2 238</b>	<b>2 950</b>	<b>6 089</b>	<b>6 412</b>	<b>7 231</b>
Interest expense				168	227
<b>Pretax income</b>	<b>2 238</b>	<b>2 950</b>	<b>6 089</b>	<b>6 244</b>	<b>7 004</b>
Taxes	228	298	613	215	700
<b>After-tax income</b>	<b>2 010</b>	<b>2 652</b>	<b>5 476</b>	<b>6 029</b>	<b>6 304</b>
Minority interest	0	0	0	0	0
<b>Net income</b>	<b>2 010</b>	<b>2 652</b>	<b>5 476</b>	<b>6 029</b>	<b>6 304</b>
<b>Earnings per share in BGN</b>	<b>4.02</b>	<b>5.30</b>	<b>3.69</b>	<b>4.07</b>	<b>4.25</b>

Balance Sheet (in '000 BGN)	2009	2010	2011	9M 2011	9M 2012
<b>Total Assets</b>	<b>14 888</b>	<b>17 456</b>	<b>20 593</b>		<b>21 506</b>
Equity subscriptions receivable	0	0	0		0
<b>Fixed assets</b>	<b>5 790</b>	<b>5 038</b>	<b>6 575</b>		<b>8 494</b>
Tangible fixed assets	4 886	4 026	4 339		6 262
Financial investments	0	0	982		982
<b>Current assets</b>	<b>9 098</b>	<b>12 418</b>	<b>14 018</b>		<b>13 012</b>
Inventory	216	263	438		559
Receivables	7 936	10 532	11 698		11 729
Financial assets	0	0	0		0
Cash and cash equivalents	946	1 623	1 882		456
<b>Total liabilities + equity</b>	<b>14 888</b>	<b>17 456</b>	<b>20 593</b>		<b>21 506</b>
<b>Equity</b>	<b>4 384</b>	<b>6 387</b>	<b>7 306</b>		<b>8 134</b>
Registered capital	500	500	1 482		1 482
Capital funds	348	348	348		348
Earnings	3 536	5 539	5 476		6 304
<b>Liabilities</b>	<b>10 504</b>	<b>11 069</b>	<b>13 287</b>		<b>13 372</b>
Long-term payables	0	0	0		0
Long-term bank loans	2 088	1 467	2 084		3 419
Short-term bank debt	2 749	492	903		2 078
Short-term payables	5 667	9 110	10 300		7 493
Other liabilities	0	0	0		0
<b>Working capital</b>	<b>682</b>	<b>2 816</b>	<b>2 815</b>		<b>3 441</b>

Cash Flow Statement (in '000 BGN)	2009	2010	2011	9M 2011	9M 2012
<b>Net income</b>	<b>2 010</b>	<b>2 652</b>	<b>5 476</b>		<b>6 304</b>
Depreciation	3 171	2 978	2 752		2 063
Changes in Working capital	(556)	2 134	(1)		3 441
Other operating cash flow items	769	(3 976)	(2 056)		(5 641)
<b>Net cash from operating activities</b>	<b>5 394</b>	<b>3 788</b>	<b>6 171</b>		<b>6 167</b>
Capital expenditures	(865)	(357)	(588)		(296)
Other investing cash flow items	519	0	0		0
<b>Net cash from investing activities</b>	<b>(346)</b>	<b>(357)</b>	<b>(588)</b>		<b>(296)</b>
Issuance/ Retirement of Stock, Net	0	0	0		0
Issuance/ Retirement of Debt, Net	(1 046)	(212)	411		(1 364)
Dividends paid	(2 200)	(650)	(3 671)		(4 247)
Other financing cash flow items	(2 365)	(1 892)	(2 064)		(1 686)
<b>Net cash from financing activities</b>	<b>(5 611)</b>	<b>(2 754)</b>	<b>(5 324)</b>		<b>(7 297)</b>
<b>Net change in cash</b>	<b>(563)</b>	<b>677</b>	<b>259</b>		<b>(1 426)</b>
Beginning-of-period cash	1 509	946	1 623		1 882
<b>End-of-period cash</b>	<b>946</b>	<b>1 623</b>	<b>1 882</b>		<b>456</b>
<b>Cash per share</b>	<b>1.89</b>	<b>3.25</b>	<b>1.27</b>		<b>0.31</b>

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