

SPEEDY
INDUSTRY: COURIER SERVICES
DELIVERING ON PROMISES

THE LEADING COURIER COMPANY IN BULGARIA, SPEEDY, FINALIZED LONG AWAITED EXPANSION WITH THE NEW STRATEGIC PARTNER OF GEOPOST AND IS FIRMLY MARCHING TO DELIVER WHAT IT PROMISED. E-COMMERCE AND INTERNATIONAL DELIVERIES GAVE A BOOST TO Q3 SALES WITH THE ONGOING COST RESTRUCTURING PLAYING ON MARGINS.

SOLID SALES GROWTH DESPITE POLITICAL TURBULENCE IN BULGARIA

Speedy's sales increased by 17% in Q3 thanks to flourishing e-commerce, pallet and international deliveries and despite the political and banking instability in Bulgaria in June and July. The latter negatively affected the economic activity in the country due to the fall of the 2nd government in the last 12 months and the collapse of the 4th largest bank. Nevertheless, the new pallet and international delivery services together with the booming e-commerce grew by 20%+ and with the overall economic activity rebounding in August and September Speedy grew as expected.

ONGOING COST RESTRUCTURING PLAYING ON MARGINS

The ongoing cost restructuring program via outsourcing of transportation led to a major cost reshuffling with significant material and labor costs decrease and major external services costs increase. The aim of the program is enhancing operational flexibility and increasing workforce loyalty - 2/3 of the Company's couriers already work as subcontractors. The program is expected to take full effect in 2015 and coupled with the new services to the low-margin-high-growth Romanian market is already playing on margins. EBITDA margin declined to 17% while net income margin narrowed at 11%.

CAPITAL INCREASE AND EXPANSION PLANS DELIVERED AS PROMISED

In November, Speedy successfully increased its share capital and finalized its strategic agreement with Europe's 2nd largest courier company GeoPost, part of the French La Poste. The agreement entailed, on the one hand, Speedy acquiring GeoPost' subsidiaries in Bulgaria and Romania and, on the other hand, GeoPost acquiring 25% of Speedy. Both acquisitions were finalized in mid-November so first effects on the Company's financials expected in Q4. The deal will boost Speedy's presence in Romania, 3x larger market than Bulgaria, allowing it to offer integrated courier services in both countries. The Company started offering pallet services to Romania at the price of Bulgarian deliveries in September, increasing international sales to 8.2% of revenues.

VALUATION/RISKS

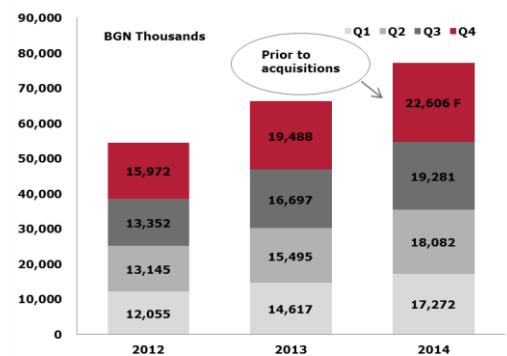
VALUATION: We keep our BGN 38.43 1 YTP as Speedy's Q3 results are in line with our expectations. Our valuation is based on a DCF model that includes GeoPost's business in Bulgaria and Romania.

RISKS: Additional political instability may affect economic activity; Logistics outsourcing may not prove as efficient as planned; Increased competition, especially in the B2C segment may put pressure on margins; Low 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	14,002	14,002
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	2.58	2.61	3.02
DEBT/EQUITY	0.68	0.54	0.42	0.33
P/E	7.39	11.60	11.47	9.88
P/B	6.55	3.85	3.30	2.83
EV/EBITDA	7.32	9.39	8.05	6.96
PAYOUT RATIO	34%	50%	50%	50%
DIVIDEND YIELD	4.55%	4.31%	4.36%	5.06%

RESULTS ANALYSIS
BUY
ONE YEAR PRICE TARGET: BGN 38.43
CURRENT PRICE: BGN 29.90
EXCHANGE RATES
EUR/BGN(FIXED): 1.95583
USD/BGN: 1.57601
MARKET DATA

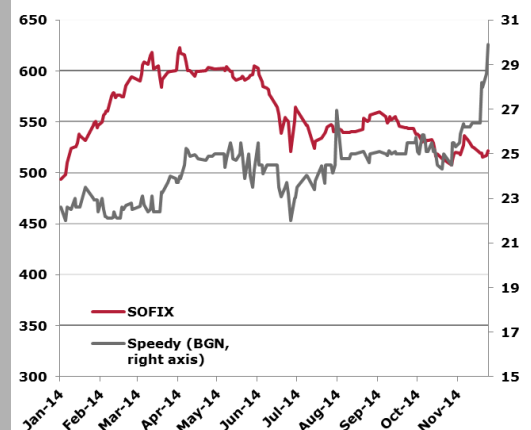
Shares Outstanding:	5.34m
Share Capital:	BGN 5.34m
Free-float:	8.9%
Treasury Shares	0%
Market Cap.:	BGN 160m
Avg. Daily Vol.:	BGN 15,000
52 Weeks Range:	BGN 19.89-29.90

STRONG Q3, BUT Q4 THE STRONGEST


Source: Company data, Elana trading forecast

OUTPACING THE MARKET

ADDING 35% YTD VS. 6% YTD FOR SOFIX



FINANCIAL RESULTS REVIEW

Speedy's consolidated financial results in Q3 2014 substantiate the Company's resilience and potential to deliver on plans.

Sales grew by 17% due to booming e-commerce and new B2B services

Sales increased by 17% in Q3 2014, in line with our expectations for organic growth, due to the 20%+ increase in the new pallet services to business clients, further development of international deliveries to neighboring Romania and booming e-commerce in Bulgaria. Pallet and international deliveries grew by 24.9% with the latter already accounting for 8.2% of total revenue. The e-commerce segment, although offering lower margins, added 23% in the last quarter. Overall domestic sales in Bulgaria grew by 14.5% due to the political and financial instability at the start of the summer. The fall of the 2nd government in the last 12 months together with the collapse of the 4th largest bank – Corporate Commercial Bank (6C9 BU), slowed economic activity in the country in June and July. A rebound was evident in August and September and with the new government taking charge in November, the economic activity in Bulgaria is set to stabilize. This coupled with the better growth prospects in Romania should support Speedy's performance.

Significant increase (49%) in other revenues (5% of total sales) also added to the overall strong sales performance of Speedy in Q3. The boost in other revenues came from the Company's ongoing cost optimization and restructuring program that entails outsourcing most of the transport services. As part of the program, Speedy sells older or rents newer cargo vehicles. The Company outsources most of its transport services, thus lowering material costs but increasing external services costs. It also motivates its own couriers to become subcontractors, again transferring labor costs to external services costs. The overall goal is to increase operational flexibility and workforce loyalty. Currently, 2/3 of its couriers are subcontracted and some transport services between its distributions centers in Bulgaria are carried out by third parties, some related to the majority shareholder.

In Q3, material costs were down by 22% due to 36% lower fuel costs, labor costs decreased by 7% while external services expenses were 80% up as the cost restructuring program kicked in. The workforce declined by 21% y-o-y to 885 people but overall labor costs registered a smaller decline as Speedy made a 5% wage increase in July and restructured its bonus payment system to even out labor costs over the year.

The overall effect from the optimization program is a major cost structure reshuffle with materials and labor expenses' share declining from 40% to less than 30% of sales while external services' share increasing from 26% to 45%. The full effect of the program should be evident in 2015, however, the picture will be blurred due to the acquisitions in November.

TTM EBITDA margin narrowing at 17%

Naturally, the cost restructuring affected Speedy's profitability. In line with expectations, EBITDA margin dropped to 19% for the nine months of 2014 versus 24% for the same period last year. On a TTM basis EBITDA margin narrowed to 17% and we expect it to stabilize at 16% as international deliveries (Romanian market larger but more fragmented) and e-commerce segments offer lower profitability. Overall net profit margin narrowed at 11% which is both in line with the Company's historical average and with our expectations. It was also affected by the higher depreciation expense as Speedy renew most of its fleet in 2012 and 2013.

Heading into Q4, we would see the effects of Speedy's expansion program together with GeoPost, as the acquisitions of DPD Romania and GeoPost Bulgaria will affect both the top and bottom line of the Company. The bottom line will be also affected by the long term debt used to finance the acquisitions. We have incorporated the new capital structure into our initial Speedy valuation.

Q4 results to be affected by recent acquisitions

An issue to be monitored is the continuing related parties' receivables and transactions' effect on Speedy's operations. At end of September 2014, the former increased slightly (2%) to BGN 3.7m. The majority of this figure is a BGN 3.1m long-term investment loan lent to Bulprom Gas 2006 that is controlled by Speedy's majority shareholder. The loan is due at the end of 2017 and is extended at market rates i.e. 6% interest. Also, Speedy outsources some of the transport services between its distribution centers to another related party – Transbalkan Group. The services acquired from this party increased twofold y-o-y to BGN 6.2m as of Sept. 30th, 2014.

Related parties transactions to be closely monitored

CAPITAL INCREASE AND GEOPOST AGREEMENT EXECUTED

In mid-November, Speedy successfully increased its registered share capital from BGN 4.4m to BGN 5.35m via the issuance of 889K new shares at an issue price per share of BGN 23. The capital increase was part of the preliminary agreement between Speedy and GeoPost announced in Spring 2014. On the one hand, the agreement prescribed GeoPost to acquire 25% of Speedy by the end of 2014 with an option for a majority stake in 2020 at 8x EV/EBITDA multiple. On the other hand, Speedy had to acquire GeoPost's businesses in Bulgaria and Romania (GeoPost Bulgaria and DPD Romania).

All transactions were finalized in November with GeoPost buying 25% of Speedy (part of the stake acquired directly from the majority shareholder Speedy Group and the other part acquired via the capital increase). Thus, currently Speedy Group, controlled by the founder and CEO Mr. Valeri Mektupchian, owns 66.11% of Speedy while GeoPost has 25%. The rest is free float, distributed among local and international institutional and individual investors.

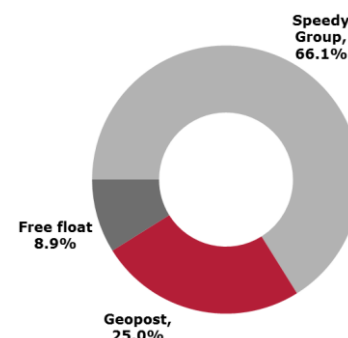
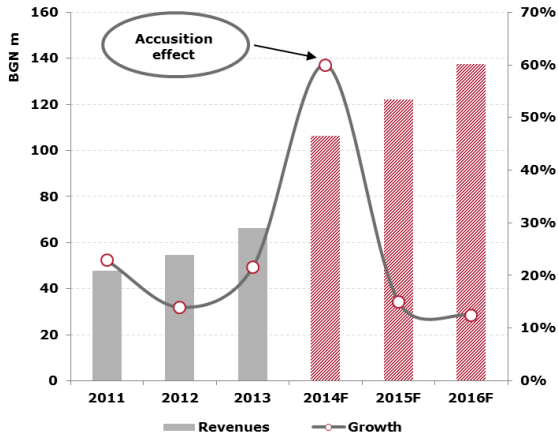
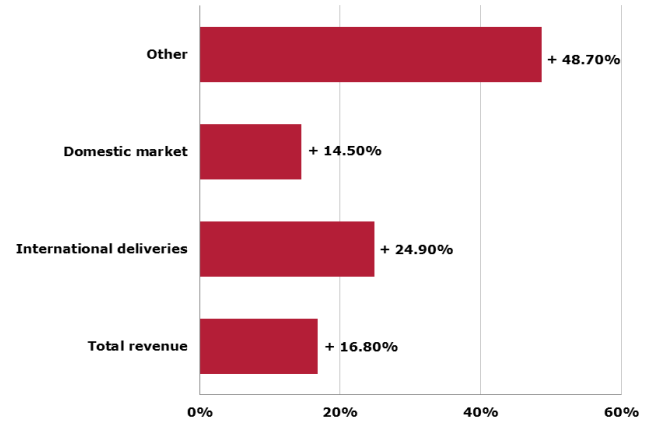


Exhibit 1: 60% expected growth of revenues in 2014



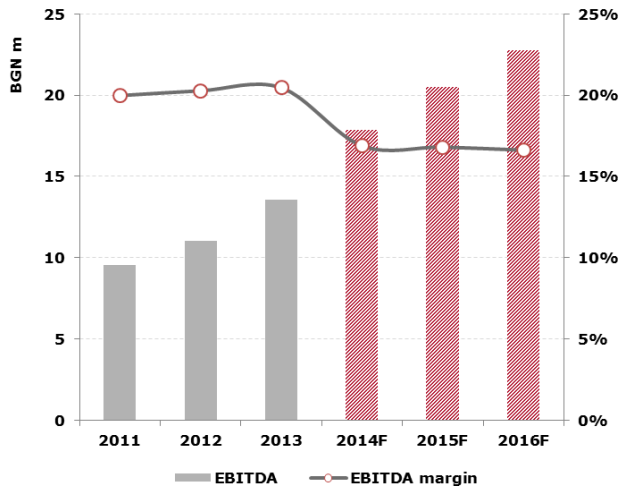
Source: Elana Trading estimates, Company data

Exhibit 2: Faster growth of deliveries abroad in Q3 2014



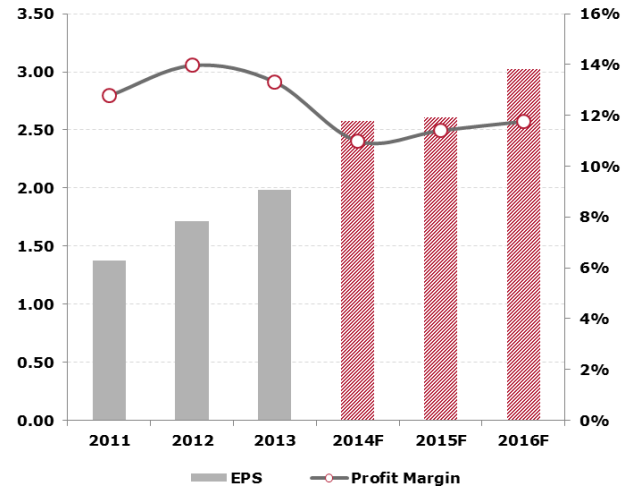
Source: Company data

Exhibit 3: EBITDA margin to stabilize at 16%



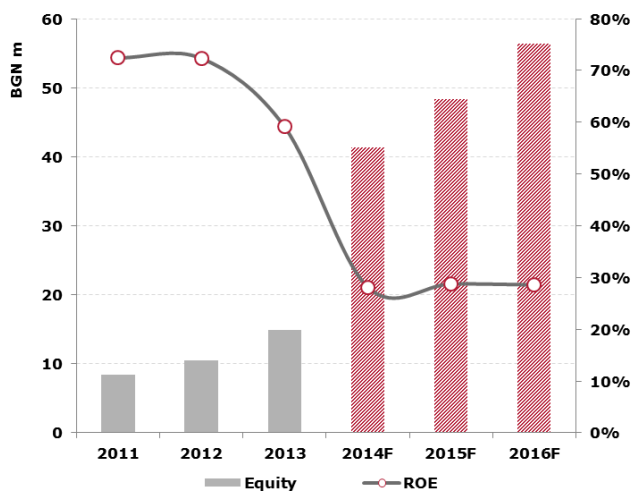
Source: Elana Trading estimates, Company data

Exhibit 4: Net profit margin to improve faster than EBITDA



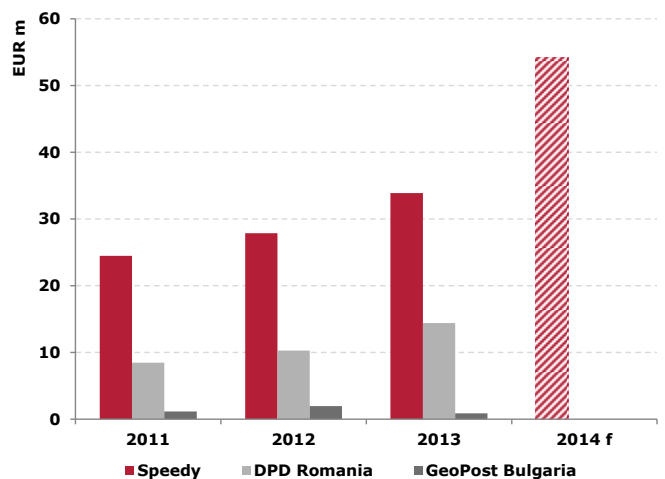
Source: Elana Trading estimates, Company data

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



Source: Elana Trading estimates, company data

Exhibit 14: The solid growth of DPD Romania (40% in 2013) will contribute to further increase of revenue



Source: Elana Trading estimates, company data

ANNUAL FINANCIAL DATA (AUDITED)

INCOME STATEMENT ('000 BGN)	2011	2012	2013	Q3 2013	Q3 2014	TTM	2014F	2015F
REVENUE	47,846	54,524	66,297	46,809	54,635	74,123	106,075	121,986
OPERATING EXPENSES	41,537	46,207	55,915	37,883	47,691	65,723	92,073	105,396
CHANGE IN INVENTORIES	0	0	0	0	0	0	0	0
COST OF MATERIAL	5,872	7,959	8,305	6,353	4,896	6,848	12,729	14,638
COST OF LABOR	15,384	18,857	20,383	13,596	12,665	19,452	26,519	30,497
COST OF EXTERNAL SERVICES	12,957	13,686	21,348	13,736	24,801	32,413	42,430	48,795
DEPRECIATION AND AMORTIZATION	3,247	2,733	3,176	2,322	3,562	4,416	3,904	3,908
NET BOOK VALUE OF ASSETS SOLD	2,699	1,654	1,428	1,046	1,137	1,519	1,803	3,904
OTHER COSTS	1,378	1,318	1,275	830	630	1,075	4,689	3,655
OPERATING INCOME	6,309	8,317	10,382	8,926	6,944	8,400	14,002	16,590
INTEREST EXPENSE	304	307	401	262	395	534	816	1,128
FOREIGN EXCHANGE LOSSES (GAINS)	3	1	6	4	9	11	133	(122)
NET NON-OPERATING LOSSES (GAINS)	(802)	(469)	108	(239)	(170)	177	106	122
PRETAX INCOME	6,804	8,478	9,867	8,899	6,710	7,678	12,948	15,462
INCOME TAX EXPENSE	694	864	1,040	890	671	821	1,295	1,546
INCOME BEFORE XO ITEMS	6,110	7,614	8,827	8,009	6,039	6,857	11,653	13,916
EXTRAORDINARY LOSS NET OF TAX	0	0	0	0	0	0	0	0
MINORITY INTEREST	0	0	0	0	0	0	0	0
NET INCOME	6,110	7,614	8,827	8,009	6,039	6,857	11,653	13,916
EARNINGS PER SHARE IN BGN	4.12	5.14	2.98	1.80	1.36	1.52	2.58	2.61
BALANCE SHEET ('000 BGN)	2011	2012	2013	Q3 2013	Q3 2014	TTM	2014F	2015F
CASH AND NEAR CASH ITEMS	2,169	3,956	8,714	3,014	1,801	1,801	13,834	15,069
SHORT-TERM INVESTMENTS	0	0	0	0	0	0	0	0
ACCOUNTS AND NOTES RECEIVABLE	11,672	12,016	11,892	11,173	16,165	16,165	22,276	24,397
INVENTORIES	438	556	605	542	819	819	1,485	1,586
OTHER CURRENT ASSETS	582	329	549	464	391	391	849	976
TOTAL CURRENT ASSETS	14,861	16,857	21,760	15,193	19,176	19,176	38,443	42,028
LT INVESTMENTS AND LT RECEIVABLES	0	0	0	0	0	0	0	0
NET FIXED ASSETS	5,527	8,251	14,671	11,731	16,014	16,014	42,430	43,915
OTHER LONG-TERM ASSETS	512	584	784	709	897	897	1,061	1,220
TOTAL LONG-TERM ASSETS	6,039	8,835	15,455	12,440	16,911	16,911	43,491	45,135
TOTAL ASSETS	20,900	25,692	37,215	27,633	36,087	36,087	81,934	87,163
ACCOUNTS PAYABLE	6,826	5,039	6,142	6,553	5,804	5,804	14,851	15,248
SHORT-TERM BORROWINGS	2,429	2,409	2,884	2,223	3,165	3,165	4,243	4,635
OTHER SHORT-TERM LIABILITIES	1,117	4,282	6,000	78	3,154	3,154	3,182	3,050
TOTAL CURRENT LIABILITIES	10,372	11,730	15,026	8,854	12,123	12,123	22,276	22,933
LONG-TERM BORROWINGS	2,094	3,439	7,256	4,664	7,439	7,439	18,245	15,858
OTHER LONG-TERM LIABILITIES	0	0	0	0	0	0	0	0
TOTAL LONG-TERM LIABILITIES	2,094	3,439	7,256	4,664	7,439	7,439	18,245	15,858
TOTAL LIABILITIES	12,466	15,169	22,282	13,518	19,562	19,562	40,521	38,792
TOTAL PREFERRED EQUITY	0	0	0	0	0	0	0	0
MINORITY INTEREST	0	0	0	0	0	0	0	0
SHARE CAPITAL & APIC	1,482	1,482	4,447	4,447	4,447	4,447	5,536	5,536
RETAINED EARNINGS & OTHER EQUITY	6,952	9,041	10,486	9,668	12,078	12,078	35,877	42,835
TOTAL EQUITY	8,434	10,523	14,933	14,115	16,525	16,525	41,413	48,371
TOTAL LIABILITIES & EQUITY	20,900	25,692	37,215	27,633	36,087	36,087	81,934	87,163
	2011	2012	2013	Q3 2013	Q3 2014	TTM	2014F	2015F
NUMBER OF SHARES:	1,482,200	1,482,200	4,446,600	4,446,600	4,446,600	5,335,919	5,335,919	5,335,919
PRICE IN BGN - PERIOD END:	n/a	51.50	22.00	17.80	29.90	29.90	29.90	29.90
MARKET CAP IN BGN - PERIOD END:	n/a	76,333	97,830	79,149	132,953	159,544	159,544	159,544

Source: Company financial statements, ELANA Trading forecasts

QUARTERLY FINANCIAL DATA (UNAUDITED)

INCOME STATEMENT ('000 BGN)	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2013	Q2 2014	Q3 2014
REVENUE	13,352	15,972	14,617	15,495	16,697	19,488	17,272	18,082	19,281
OPERATING EXPENSES	10,423	14,645	10,663	14,639	12,581	18,032	14,283	16,457	16,951
COST OF MATERIAL	1,980	2,307	2,065	2,368	1,920	1,952	1,768	1,547	1,581
COST OF LABOR	3,199	6,625	3,426	6,701	3,469	6,787	3,204	5,044	4,417
COST OF EXTERNAL SERVICES	3,696	4,048	3,846	4,249	5,641	7,612	7,674	8,184	8,943
DEPRECIATION AND AMORTIZATION	958	443	713	746	863	854	1,113	1,159	1,290
NET BOOK VALUE OF ASSETS SOLD	359	551	393	314	339	382	286	325	526
OTHER COSTS	231	671	220	261	349	445	238	198	194
OPERATING INCOME	2,929	1,327	3,954	856	4,116	1,456	2,989	1,625	2,330
NET INCOME	2,709	1,189	3,558	763	3,688	818	2,553	1,450	2,036

BALANCE SHEET ('000 BGN)	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2013	Q2 2014	Q3 2014
ASSETS									
CASH & NEAR CASH ITEMS	578	3,956	3,208	824	3,014	8,714	7,254	2,632	1,801
ACCOUNTS & NOTES RECEIVABLE	12,016	12,016	12,016	10,973	11,173	11,892	11,417	12,321	16,165
INVENTORIES	559	556	568	955	542	605	420	709	819
TOTAL CURRENT ASSETS	13,550	16,857	16,266	13,231	15,193	21,760	19,604	16,099	19,176
NET FIXED ASSETS	6,305	8,251	8,394	9,663	11,731	14,671	14,470	15,548	16,014
OTHER LONG-TERM ASSETS	1,385	584	603	653	709	784	835	889	897
TOTAL LONG-TERM ASSETS	7,690	8,835	8,997	10,316	12,440	15,455	15,305	16,437	16,911
TOTAL ASSETS	21,240	25,692	25,263	23,547	27,633	37,215	34,909	32,536	36,087
LIABILITIES & SHAREHOLDERS' EQUITY									
ACCOUNTS PAYABLE	5,950	5,039	5,450	6,284	6,553	6,142	5,573	7,419	5,804
SHORT-TERM BORROWINGS	2,106	2,409	1,834	2,002	2,223	2,884	2,852	2,851	3,165
OTHER SHORT-TERM LIABILITIES	382	4,282	562	645	78	6,000	2,146	559	3,154
TOTAL CURRENT LIABILITIES	8,438	11,730	7,846	8,931	8,854	15,026	10,571	10,829	12,123
LONG-TERM BORROWINGS	3,422	3,439	3,336	4,189	4,664	7,256	6,852	7,218	7,439
TOTAL LONG-TERM LIABILITIES	3,422	3,439	3,336	4,189	4,664	7,256	6,852	7,218	7,439
TOTAL LIABILITIES	11,860	15,169	11,182	13,120	13,518	22,282	17,423	18,047	19,562
TOTAL EQUITY	9,380	10,523	14,081	10,427	14,115	14,933	17,486	14,489	16,525
TOTAL LIABILITIES & EQUITY	21,240	25,692	25,263	23,547	27,633	37,215	34,909	32,536	36,087

FINANCIAL AND PERFORMANCE INDICATORS	2012	2013	TTM	2014F
VALUATION				
PRICE/EARNINGS (P/E)	10.03	7.39	19.71	11.60
PRICE/BOOK (P/B)	7.25	6.55	9.65	3.85
PRICE/SALES (P/S)	1.40	1.48	2.15	1.50
EV (IN '000 BGN)	78,225	99,256	168,347	168,198
EV/EBITDA	7.08	7.32	13.14	9.39
PROFITABILITY				
RETURN ON COMMON EQUITY	80.33%	69.35%	44.76%	41.36%
RETURN ON ASSETS	32.68%	28.06%	21.52%	19.56%
RETURN ON INVESTED CAPITAL	53.80%	44.33%	30.47%	27.84%
EBITDA MARGIN	20.27%	20.45%	17.29%	16.88%
OPERATING MARGIN	15.25%	15.66%	11.33%	13.20%
NET INCOME MARGIN	13.96%	13.31%	9.25%	10.99%
DIVIDEND				
DIVIDEND YIELD	5.79%	4.55%	n/a	4.31%
DIVIDEND PER SHARE (BGN)	2.98	1.00	n/a	1.29
LIQUIDITY				
CURRENT RATIO	1.44	1.45	1.58	1.73
QUICK RATIO	1.36	1.37	1.48	1.62
CREDIT				
LT DEBT/EQUITY	0.33	0.49	0.45	0.44
TOTAL DEBT/EQUITY	0.56	0.68	0.64	0.54
TOTAL DEBT/TOTAL ASSETS	0.23	0.27	0.29	0.27

SPEEDY Overview

Ticker	OSP	Recommendation	BUY	Outstanding Shares	5.34 m
Bloomberg ticker	OSP BU	Last review	17 th September 2014	Free Float	8.9%
Current Price	BGN 29.90	1Y Target Price	BGN 38.43	Avr. Daily Volume	BGN 15,000

COMPANY PROFILE

Speedy was established in 1998 and currently is the largest courier company in Bulgaria with 37% market share. It is also the 2nd largest postal service provider after the incumbent Bulgarian Post.

Speedy is one of the fastest growing companies in the country with high brand recognition. Its core business is door to door standard and express delivery services that represent 95% of the revenues during the past three years. The B2B segment contributes the most the Company's revenues, but B2C is advancing fast as well.

In the spring of 2014 Speedy has signed an agreement with Europe's 2nd largest land courier service provider GeoPost SA, part of the French La Poste Group. According to the agreement, GeoPost acquired 25% of Speedy and has an option for 70% in 2020. Both transactions to be executed at an EV/EBITDA multiple of 8x. On the other hand, as part of the agreement, Speedy acquired GeoPost's business in Bulgaria and Romania and will manage the new bigger structure. The execution of the agreement was finalized in November 2014 with GeoPost acquiring 25% of Speedy, partially via an increase of Speedy's registered capital.

FUNDAMENTAL STORY

Speedy has gone through the economic crisis with flying colors thanks to its integrated and innovative product range, flexible operations, skillful management and solid market presence.

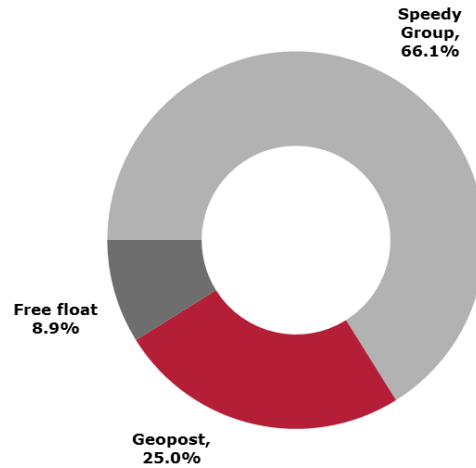
The Company adapts fast to market opportunities with innovative products offering both B2B logistics outsourcing services for supply-chain-optimization and B2C delivery services via a wide range of small pickup points all over the country. It also provides door to door deliveries.

By joining forces with GeoPost and its DPD network, Speedy will develop its regional expansion goal. It is starting in Romania – a 3x larger but more fragmented market. The Company started offering delivery services to the country in September 2014 as though it is Speedy's domestic market.

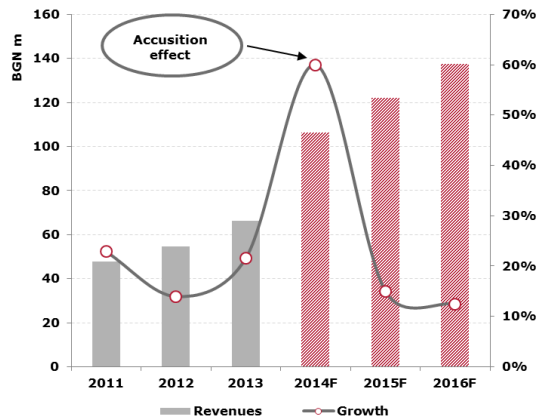
STRENGTHS & OPPORTUNITIES

- Good corporate governance
- Clear dividend policy
- Solid market position in Bulgaria
- Integrated product range
- High growth potential with booming e-commerce
- Excellent brand recognition

SHAREHOLDERS' STRUCTURE



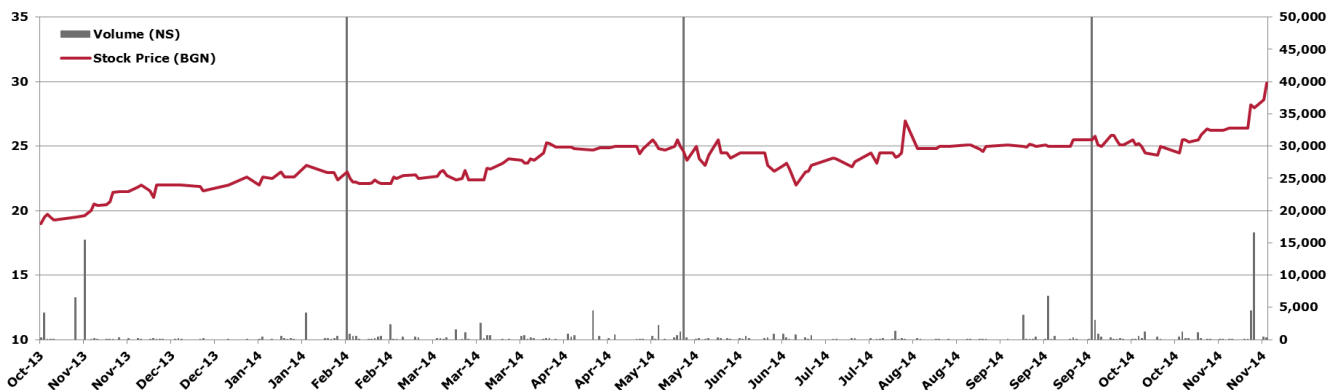
DOUBLE DIGIT GROWTH TO CONTINUE



WEAKNESSES & THREATS

- Low free float
- Price competition from other courier players

STOCK PRICE DYNAMICS



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

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