

SIRMA GROUP HOLDING

INDUSTRY: IT

INCUBATING GROWTH

24% CAGR FOR THE LAST THREE YEARS. SIRMA GROUP HOLDING IS THE BIGGEST BULGARIAN OWNED IT DEVELOPMENT COMPANY INCUBATING INDUSTRY TRANSFORMING TECHNOLOGIES AND SCALING GLOBALLY. WITH E-GOV SERVICES AND ONTOTEXT THE CURRENT GROWTH DRIVERS, THE GROUP IS PIONEERING AGAIN BY IPO-ING TO FUND GLOBAL EXPANSION AND INNOVATION.

BIGGEST BULGARIAN OWNED IT DEVELOPER

Biggest locally owned IT developer in Bulgaria. Established 23 years ago. Employees 360+ and manages a diversified group of companies specialized in software engineering, semantic technologies, system integration, cloud and mobile solutions, e-government, CAD/CAM and collocation services.

INCUBATING INDUSTRY TRANSFORMING TECH IDEAS

Incubates industry transforming ideas, charging them with enough velocity to escape the mother-company's orbit and continue on their own. The current flagship – Ontotext, disrupts the way organizations identify and manage massive unstructured amounts of data with the BBC, the FT, Euromoney, Astra Zeneca, the US government, etc. as paying customers. Easy on the go mobile payments and the way gadgets and organizations "read and understand what they see" via innovative image recognition technology is on the "to do list".

LOCALLY BUILT AND GLOBALLY SCALING

47% of overall group sales come outside Bulgaria, with the US main export market (24% of revenues) followed by the UK and Germany. 70% of Ontotext's standalone sales are in the UK and US. Daticum, Sirma's cloud service subsidiary, hosts Fast Company acknowledged "one of top 10 most innovative companies in sports" Synergy Sports' NBA data allowing it to deliver real-time video to millions of basketball fans.

PARTNER OF CHOICE FOR E-GOV AND PUBLIC INSTITUTIONS IT SERVICES

A 1/3 of the Group's sales come from delivering system integration, software engineering, business consulting and hardware services to public and private institutions as government and businesses go online and on to the cloud. Major customers – central government, state agencies, banks, corporations, etc.

TO BE THE BIGGEST IT IPO IN BULGARIA

Sirma's IPO will be the biggest IT IPO in Bulgaria ever and the biggest since 2008. The company plans to raise up to BGN 26m by issuing 16m new share at a price range of BGN 1.20-1.65 per share valuing it post-IPO at a 1.8x – 2.5x FY2016F sales. The proceeds to go for R&D, new verticals, expanding in the US and boosting sales and marketing channels.

EXCELLENT CORPORATE GOVERNANCE & MANAGEMENT

Sirma portrays excellent corporate governance in terms of transparency and minority shareholders policies as no single shareholder has more than 10.5%. Established by a couple of friends, pioneers in the newest generation of Bulgarian IT talent, that still run the business. Acknowledged independent board members, including some of the most successful IT managers in the country, to further support governance and performance.

VALUATION/RISKS

VALUATION: We present the biggest top and bottom line contributors to the Group that we believe add highest value to Sirma Group Holding's intrinsic value. Our valuation incorporates management expectations but is only for comparative reasons and does not constitute a recommendation. **RISKS:** Slower economic growth; Increased IT labor demand to push up wage levels; Fierce competition; Slower scaling pace due to inadequate sales and marketing;

in kBGN, excl. ratios	2013	2014	2015F	2016F
Revenues	22 768	27 866	32 728	44 183
EBITDA	8 644	11 001	6 081	12 022
Net profit	2 949	9 779	1 755	5 689
EBITDA margin	37.97%	39.48%	18.58%	27.21%
Profit Margin	12.95%	35.09%	5.36%	12.88%
Book Value	86 333	82 329	106 813	115 322
ROE	3.42%	11.88%	2.00%	6.04%
ROA	3.19%	10.39%	1.49%	4.44%
EPS (BGN)	0.04	0.20	0.03	0.09
SPS (BGN)	0.31	0.56	0.50	0.67

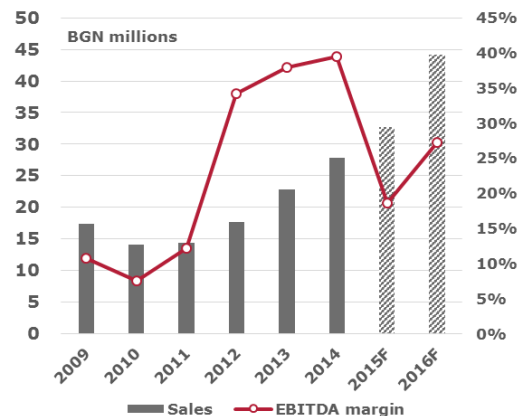
NOT RATED
INTRINSIC VALUE: BGN 1.86

EXCHANGE RATES
EUR/BGN (FIXED): 1.95583
USD/BGN: 1.7277

MARKET DATA

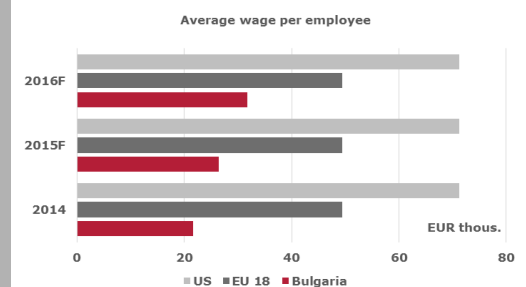
Shares Outstanding:	49.84m
Share Capital:	49.84m
Securities offering	16 m new shares
Greenshoe option	Up to 5% of old shares
IPO method	In-house, 1 month
Allocation method	Pro-rata
IPO price range	BGN 1.20-1.65

SET ON A GROWTH PATH...



Source: Company Data; Elana Trading estimates

... AND STILL KEEP ITS COST ADVANTAGE



Source: BASSCOM; Elana Trading estimates

EXECUTIVE SUMMARY

THE COMPANY

Sirma Group Holding (the Company, the Group, the Holding) is the biggest locally owned IT developers in Bulgaria. Established 23 years ago by a couple of friends still students, it started off by developing software solutions in the artificial intelligence area for Canadian public institutions. Started taking on Bulgarian projects in the beginning of the 2000s. Currently, the Company manages a diversified group of subsidiaries specialized in software engineering, system integration, semantic technologies, big data, cloud and mobile solutions, e-government, CAD/CAM solutions and collocation services. The Holding's diverse tech expertise allows for economies of scale and synergies between products when one technology adds up perfectly to another solution in the Group.

The **biggest contributor** to the Group's top line is the system integration and ideas incubator specialist Sirma Solutions. The latter is a preferred partner in Bulgaria of leading global IT conglomerates like IBM, HP, Oracle, etc. However, it has developed numerous software solutions to the real sector (for example, the ERP system DESSY that automated many of the business processes in the leading Bulgarian courier company Speedy).

The profit generator in the Group, on the other hand, and the current flagman project in the Holding is the semantic solutions provider Ontotext. The latter's unique technology in making sense of huge amounts of unstructured data has attracted a customer list that includes some of the leading media outlets in Europe like the BBC, the FT, Euromoney as well as the US and the Canadian governments, the British Museum in the UK and the Gallery of Modern Arts in the US.

In addition, the Holding operates one of the top tier data centers in Bulgaria – Daticum, scaling it via cloud solutions, and has a niche CAD/CAM packaging software used by leading packaging producing companies in Europe. The Group is also specialized in providing IT solutions to the finance industry, both banks and insurance companies, and is a partner of choice to local state institutions in bringing them into the e-world from the old paper based operations and management. The e-government project started by the new Bulgarian government in 2015 to be a huge boost to the Group's results in the near term as Sirma's team is also developing a niche document management solution.

Revenue wise, on average 60% of the Group's revenues are generated in Bulgaria as Sirma Solutions' system integration and corporate solutions weigh in. The US is the second biggest market for the Company generating 20% of consolidated revenues with increasing weight, followed by the UK and Germany as niche products kick in.

Profit wise, the Group's niche products and solutions generate the largest portion of the bottom line. In 2014, Ontotext had the biggest contribution followed by the CAD/CAM solutions providers EngView Systems, Sirma Solutions and document management company Sirma ITT. Nevertheless, the bottom line has yet to stabilize as some of the products in the Group are yet to be sustainably commercialized i.e. Ontotext semantic solution and Sirma ITT document management solution.

As a pioneer on the Bulgarian tech scene, Sirma Group Hold portrays excellent corporate governance with transparent management, employee share option pools to minimize turnover and minority shareholders policy of dialogue and dividends distribution (20%-40% payout). The Holding is owned and managed by tech savvy founders who are still involved in the day to day operations. To further support governance and performance, the Group has attracted seasoned professional management as independent members of the board like Sasha Bezuhanova, who led and managed the operations of Hewlett-Packard in Bulgaria and the CEE for almost 20 years; Peter Statev, a seasoned entrepreneur, Vice Chairman of the European Telecommunications Standards Institute (ETSI) General Assembly and Chairman of the Bulgarian ICT Cluster Foundation; and Yordan Nedev, ex Roland Berger.

THE COUNTRY AND THE MARKET

The country is under a Currency board arrangement and the Bulgarian lev is pegged to the Euro at BGN 1.95583.

The Bulgarian economy has positively surprised with an accelerating 2.2% GDP growth y-o-y in Q2 2015. Nevertheless, we remain cautious as the current government still needs to undertake major structural reforms in the judiciary, energy, and healthcare to unlock faster economic growth. Public finances, however, are improving due to better tax collection which should allow fiscal stimuli.

The IT industry is one of the fastest growing sectors in Bulgaria driven both by software outsourcing services, booming startup and entrepreneurial environment and high tech talent. Over the last decade, the software industry has grown substantially – GDP share is up threefold to 1.8% and sector revenues are up fivefold to est. BGN 1.4bn or an 18% CAGR.

SOME RISKS

Slower economic growth; Increased IT labor demand to push up sector's wages; Rising competition from India and China; Slower scaling pace due to inadequate sales and marketing;

SHAREHOLDERS' STRUCTURE

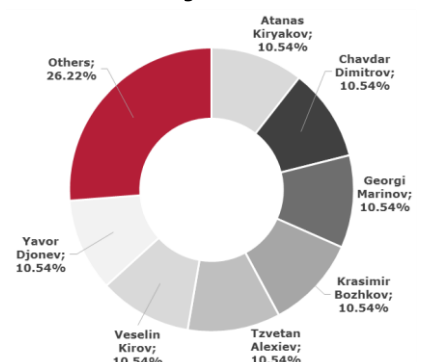
Sirma Group Holding share capital amounts to BGN 49.8m and consists of 49 837 156 outstanding ordinary share with a nominal value of BGN 1 per share.

The Group is owned by its tech savvy founders-managers and key employees. It has 25 shareholders who have been owners of the Company for the last two decades.

No single person has more than 10.54% of the stock, among which are Sirma Group Holding's CEO Tzvetan Alexiev, EngView's CEO Georgi Marinov, Ontotext's CEO Atanas Kiryakov, Daticum's CEO Chavdar Dimitrov, Sirma Business Consulting's CEO Tzvetomir Doskov and etc.

The Group and its subsidiaries implement employee share option pools (ESOP) used for key employee retention and motivation.

Outstanding shares: 49 837 156



COMPANY OVERVIEW

Sirma Group Holding, established in 1992, operates as a holding structure. It manages a diverse range of tech companies which allows for economies of scale and synergies within the Group. The portfolio spreads from system integration, software engineering, enterprise, cloud and mobile solutions at the biggest subsidiary Sirma Solutions, to semantic anthology, search and database in Ontotext, CAD/CAM design software at EngView Systems and collocation & cloud services at Daticum.

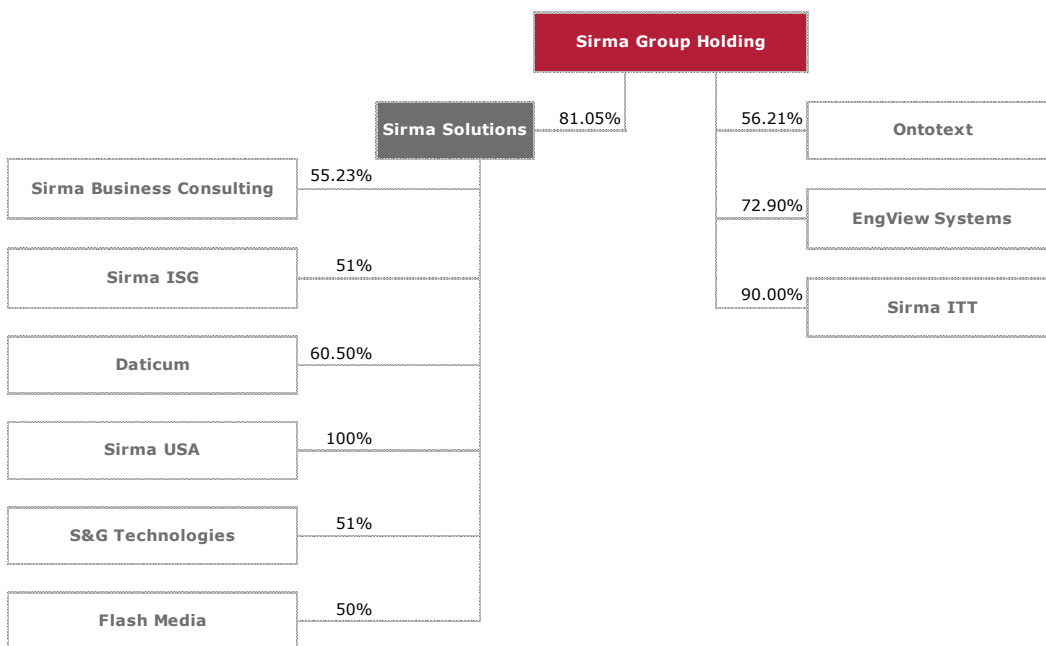
Biggest locally owned IT developer and system integrator in Bulgaria

The Group's products are developed locally to tap on the local tech savvy cost efficient talent with four offices Sofia (headquarter), Plovdiv, Varna and Ruse. However, they are scaled globally with offices in the US, Canada, Brazil and the UK.

The Group's business model is to develop niche open source & linked data based products, funding them initially with internal sources and academic, EU or state grants, and scaling them later with "smart" private money via additional VC or other funding. Sirma Solutions, the biggest subsidiary, is also a leading system integrator in Bulgaria and partner for global IT giants like IBM, Microsoft, HP, etc. The Group's niche fin tech company Sirma Business Consulting is also an Oracle certified partner in implanting the latter's Flexcube core banking solutions. The Group's Sirma ISG subsidiary, on the other hand, is specialized in software solutions to the insurance industry which is yet to go "online" and "real time".

Additionally, Sirma's team works with international academic & heritage tech specialists on big data and linked data solutions. For example, it is part of the Europeana heritage initiative which is a multi-lingual online collection of millions of digitized items from European museums, libraries, archives and multi-media collections as well as the Conservation Space and Research Space projects, funded by the Andrew W. Mellon Foundation. Thus, it taps on the multimillion public and private heritage funding.

Following its big data and system integration experience, the Group is also bound to take part in the major e-government initiative that started in 2015 in Bulgaria.



POTENTIAL CATALYSTS

SCALING UNIQUE SEMANTIC SOLUTIONS: Scaling the Holding's unique semantic solutions, developed and commercialized in Ontotext, on the US market and on additional verticals to boost both the top and bottom line of the Group. Potential for post-scaling exit.

INVESTMENT IN SALES & MARKETING TO BOOST GROWTH: Investment in seasoned sales, marketing and project management team in the US to help boost the top line considerably while keeping the development cost base competitive versus developed world IT costs.

R&D AND INCUBATION TO ADD NEW LINES OF BUSINESS: R&D and ideas incubation to pave the way to new lines of business. Current project in the pipeline are a loyalty platform, mobile payment platform, image recognition project, etc.

E-GOV INITIATIVE TO BE A DRIVER: The Bulgarian e-government initiative on both state and municipal level to speed up Sirma Solutions and other subsidiaries' scaling of semantic annotation and document management platforms.

SECTOR OVERVIEW

THE LOCAL IT MARKET

The IT and software industry is among the fastest growing industry in Bulgaria over the last ten years. The software industry has tripled its importance in the local economy over the period and already represents 1.75% of GDP. Revenue wise the industry has increased fivefold for the same period to BGN 1.4bn or 18% CAGR. It is expected to reach BGN 2.5bn by 2020 or 9.4% GAGR, according to data by the Bulgarian Association of Software Companies (BASSCOM), with 60% coming from export services.

18% CAGR for the last 10 years

The local cost efficient IT talent has attracted numerous global IT players for their software outsourcing operations like Hewlett Packard, which operates a 5000+ employees Global Delivery Center in Sofia, VMware, SAP Labs, IBM, Siemens, Experian, Luxsoft, etc.

Software jobs up 3.4x in 10 years

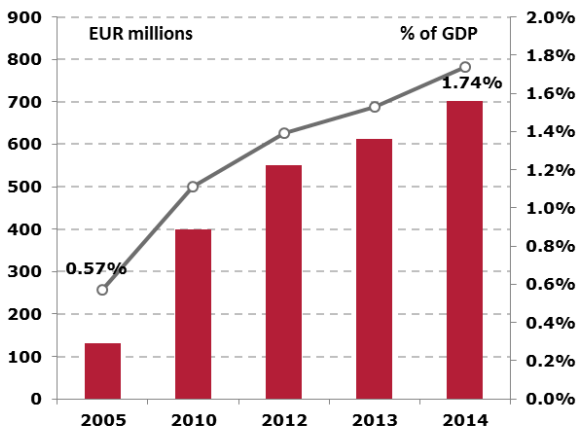
Software jobs have increased 3.4x from less than 5K to 17K+ and are expected to increase to 32K by 2020, according to BASSCOM. At the same time the average wage level doubled over the same period to EUR 21K/annum but is still way below EU and US averages, or 5x and 3x below US and EU 18 average, respectfully.

In addition, many local based IT developers both own products and outsourcing have emerged and grown to multimillion companies. Some of them have already attracted private equity and strategic investors. Recent and biggest deal is the Summer Partners' exit together with Bulgarian founders from Telerik to US Progress Software (NASDAQ: PRGS) for USD 262m valuing the company at 4.4x sales multiple. The latter was among the top 10 IT deals in Europe in 2014. The UK insurance service solutions provider Charles Taylor (LSE: CTR) and the Riverside Co.'s acquisition of the local insurance tech company Fadata, valuing it at BGN 40m or 1.6x sales, is a smaller recent strategic transaction.

Average wages 5x below US & 3x below EU18 averages

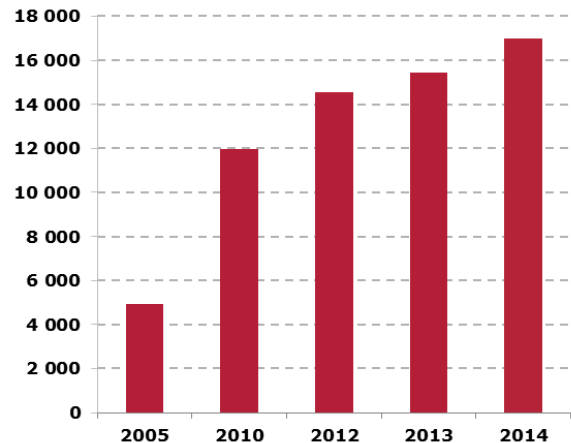
Numerous smaller PE deals enrich the market as booming startup ecosystem attracts more and more investors' attention due to the smart EU money invested in developing the entrepreneurship environment in Bulgaria. For example, Flipps Media, a subsidiary of Bianor Holding (5BI BU), raised USD 2.4 m series A round from Silicon Valley angel investor Tim Draper and EU based VC - Earlybird and StorPool, software-defined storage solution startup, attracting IT Web investment arm of global hosting provider SiteGround. Since 2012, EUR 21m EU money were invested via accelerator and venture capital vehicles in 120+ startups with funds to double in 2015-2020.

Exhibit 3: Bulgarian industry revenues up 5x in 10 years...



Source: Bulgarian Association of Software Companies (BASSCOM)

Exhibit 4: ... with 3.4x more software jobs



Source: BASSCOM

THE GLOBAL IT MARKET

Globally, the Big Data market that is exponentially demanding new software solutions is expected to revolutionize the business operations. The market was estimated at USD 27.4bn in 2014, according to Wikibond research, and is projects to reach USD 84bn in 2026 or 17% CAGR over the 2011-2026 period.

Big data market to revolutionize business operations

The IDC analytics unit, on the other hand, estimates that the Big Data technology and services market will grow at 26.4% CAGR through 2018 to USD 41.5bn.

SUBSIDIARIES OVERVIEW

ONTOTEXT

Ontotext, the product flagman in the Group, is a niche provider of semantic technologies a.k.a technologies that bring meaning to scattered data. The Company disrupts the way organizations search, manage and make sense of huge piles of text and data, transforming it from an unstructured massif into a structured and useful information.

26% CAGR over the last five years

The product: Ontotext has developed a complete set of proven semantic technologies from full scale inferencing RDF triplestore, called Graph DB, to a combined in-the-cloud low-cost text mining, knowledge graph and RDF graph database solution called Self-Service Semantic Suite (S4). They compete with products by major software providers like Oracle, IBM, and MarkLogic. Recently, MarkLogic, which derives 80%+ of revenues from the Big Data Database market, completed a series F funding round. The company received USD 102m, valuing it at USD 1bn+ pre-money and 10x sales. Other smaller Ontotext competitors are US based Franz Inc., OpenLink Software, TopQuadrant.

The history: Ontotext originated as an internal Sirma project on the verge of the Web 3.0 and Big Data move at the beginning of the 2000s. Over the next few years, the Sirma team worked on developing the technology, initially funding it with internal resources and EU funding from the many academic projects that the company participated in.

60% EBITDA margin in 2014

In 2008, it spun off the project into a separate company taking on board the Bulgarian venture capital fund NEVEQ. The latter invested EUR 1.5m in return for 27.5% of the newly formed entity. Currently, Ontotext is jointly owned by Sirma, NEVEQ and key employees and plans a next funding round as NEVEQ has reached the end of its life.

With NEVEQ on board, Ontotext worked on product development, commercialization and initial monetization. The company pivoted the technology for Fortune 500 enterprise and institutional use, rebranded into a single customer-friendly platform and positioned it within four major verticals: Media & Publishing, Life Science, Cultural Heritage and Government. Currently, its major clients include the BBC, the FT, Euromoney, John Wiley and Sons, Oxford University Press, Astra Zeneca, The British Museum, The National Gallery of Arts (USA), European, Research Space project, Department of Defense (USA), Department of Health and Human Services (USA), etc.

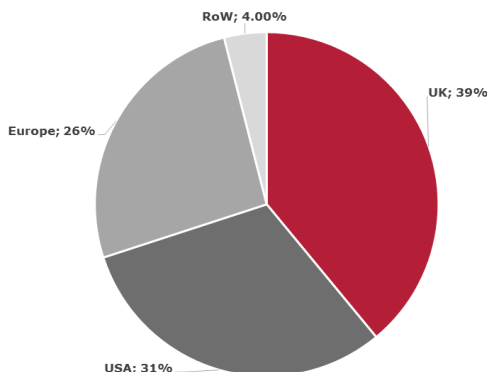
The 2010 FIFA World Cup BBC website was a turn-key project for Ontotext which set the grounds to work on the BBC's 2012 Summer Olympics in London website and strike a contract with the FT in 2014. The company last pivoted in 2012-2013 based of customer feedback. Going forward, Ontotext plans to accelerate growth and scale faster by investing in sales and marketing to tap the broader US market after its strong debut in Europe. Thus, part of the funding from Sirma Group Holding's IPO will be used in scaling Ontotext's sales and project management workforce in North America. The company already reported 62% y-o-y growth in US sales in 2014 after increasing sales, marketing and partnerships on the market.

The numbers: Over the last five years, Ontotext registered 26% CAGR of revenue and 38% 5YR average EBITDA margin. In 2014, Ontotext's top line grew by 13% y-o-y to BGN 6.9m with 25% recurring sales. EBITDA margin was up 53% y-o-y to 60%. ROE jumped 4x y-o-y to 9%. Management expects 34% top line CAGR over the next five years and 32% average EBITDA margin driven by the North American market.

34% expected top line growth for the next five years

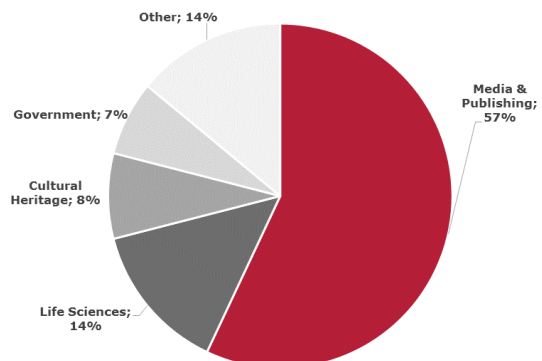
In short to mid-term, the bottom line will be affected by the increase in wage costs due to US expansion and may be influenced by intangible assets reclassified as available for sale. These include older software modules, the biggest one being the Knowledge and Information Management Platform (KIM), which Ontotext no longer needs and the management expects it can dispose of to third parties with no risk for its core technology. These assets amount to BGN 4.3m or 20% of total assets.

Exhibit 5: US & UK biggest markets for Ontotext



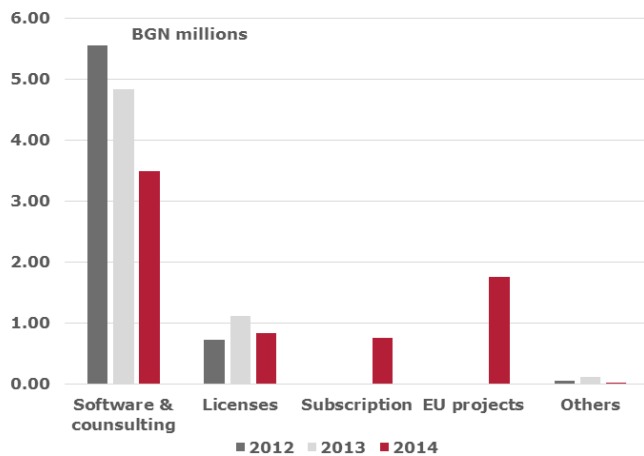
Source: Company data; Q1 2015

Exhibit 6: ... with media & publishing the critical vertical



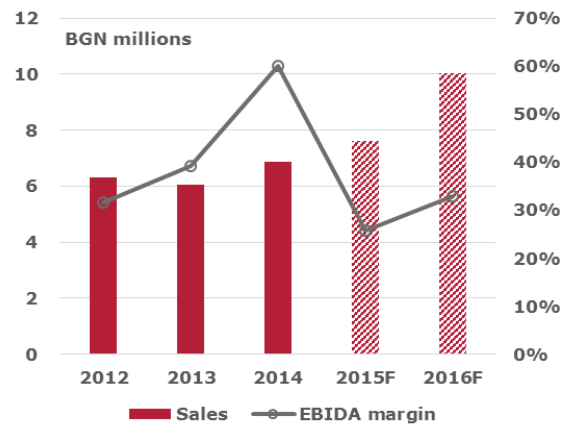
Source: Company data; Q1 2015

Exhibit 7: Pivoting both the technology & the sales type



Source: Company data

Exhibit 8: EBITDA margin to stick to a 30% threshold 2016 onwards



Source: Company data; Q1 2015

ONTOTEXT FINANCIAL OVERVIEW

(‘000 BGN)	2012	2013	2014	2015F		2012	2013	2014	2015F
Revenues	6 300	6 059	6 870	7 598	Total Assets	17 523	18 527	21 133	20 090
EBITDA	1 998	2 371	4 123	1 952	Intangibles	6 194	8 835	6 470	7 218
Net income	988	417	1 645	26	Goodwill	0	0	0	0
EBITDA margin	31.7%	39.1%	60.0%	25.7%	Book value	15 898	16 291	17 619	17 461
NI margin	15.7%	6.9%	23.9%	0.3%	Total Liabilities	1 625	2 236	3 514	2 629
Sales per share	0.41	0.40	0.45	0.50	Interest bearing debt	0	0	785	456
EPS	0.06	0.03	0.11	0.00	D/E	0.10	0.14	0.20	0.15
ROE	6.2%	2.6%	9.3%	0.1%	ROA	5.6%	2.3%	7.8%	0.1%

ENGVIEW SYSTEMS

EngView Systems is a niche provider of Computer-aided design software (CAD) and Computer-aided manufacturing software (CAM) for the packaging, measurement and aluminum extrusion industries.

Niche CAD/CAM solution provider to the packaging industry

The history: The company was established in the 1990s in Canada by the founders of Sirma as an opportunistic project out of their fascination for design solutions. Since then it has been growing organically. Currently, it sells on six continents with offices in Brazil and Canada.

The product: The company’s main product is EngView Package Designer Suite customized for the paper/carton packaging and POP/POS display design industry. The Suite helps designers go through the entire process - from conceptual design to 2D and 3D modeling, layout preparation, sample making and die making. EngView has also developed software solutions for the aluminum & plastics extrusion industry with a 2D system for automated measurement and inspection of profile geometry (ScanFit & Measure) and a database for existing extrusion tools to help industry players reuse tools and lower production costs (ALEX Tool Matching).

The paper/carton packaging industry, however, is the company’s critical vertical. EngView’s product has been adopted by leading paper and packaging producers like the Austrian Prinzhorn Holding and the German Heidelberg. Heidelberg’s printing software is labeled as Heidelberg but owned by EngView.

The company also just struck an OEM deal with leading image hardware producers Cannon and Xerox to bundle EngView Systems’ software in their products. The company plans to scale further via OEM partnerships and expanding its packaging vertical by developing a virtual auction platform for users and producers of packaging.

The market: The global engineering software market was valued at approx. USD 20bn in 2014 and is forecasted to grow at a CAGR of 12.4% from 2015 to 2020, according Research and Markets data. The CAD segment, valued at about USD 8bn, is the largest and is dominated by huge players like AutoDesk, Bentley Systems, SAP, IBM, Geometric, etc.

Sales up 47.7% y-o-y in FY2014

However, as a niche player in the packaging industry EngView's biggest and niche rival is the US Esko Graphics.

30% av. ROE in the last 5 years

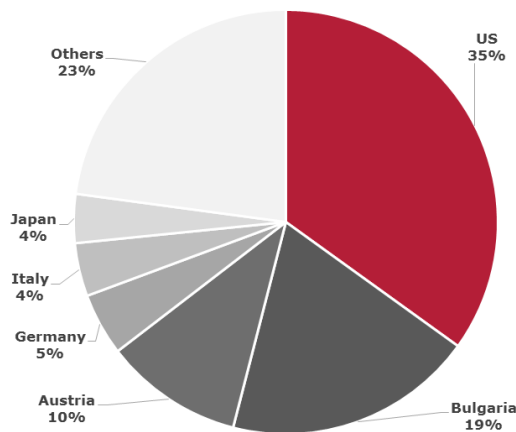
The numbers: EngView outperformed forecasts and delivered a 48% y-o-y increase of the top line in FY 2014 to BGN 2.7m. FY 2015 expectations are growth to exceed 10% led by sales in the packaging industry but also due to better performance on the aluminum and PVC extrusion vertical in which development the company put additional effort in 2014.

EBITDA margin hit 21.8% in 2014, up 129.5% y-o-y and 850 bps above previous four year average. The management expects EBITDA margin to average 29% over the next five years as investments in sales and marketing for a US expansion and new verticals should give returns. The top line growth should average 29% over the 2015-2019 period. ROE averaged 30% and should sustain at this level with top line expansion and margin improvement.

ENGVIEW SYSTEMS FINANCIAL OVERVIEW

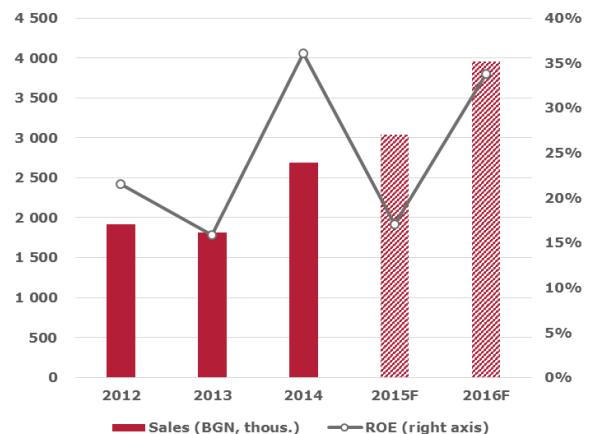
('000 BGN)	2012	2013	2014	2015F		2012	2013	2014	2015F
Revenues	1 915	1 817	2 685	3 039	Total Assets	1 285	1 315	1 640	2 219
EBITDA	207	172	584	325	Intangibles	3	2	2	3
Net income	204	167	537	305	Goodwill	0	0	0	0
EBITDA margin	10.8%	9.5%	21.8%	10.7%	Book value	946	1 052	1 489	1 794
NI margin	10.7%	9.2%	20.0%	10.0%	Total Liabilities	339	263	151	421
Sales per share	38.30	26.49	38.91	44.05	Interest bearing debt	0	0	0	0
EPS	4.08	2.43	7.78	4.42	D/E	0.36	0.25	0.10	0.23
ROE	21.6%	15.9%	36.1%	17.0%	ROA	15.9%	12.7%	32.7%	13.8%

Exhibit 9: Historically, US is the biggest market for EngView



Source: Company data, FY2014

Exhibit 10: New verticals, incl. OEMs, to add to both the top and bottom line of the company



Source: Company data; Elana trading estimates

SIRMA SOLUTIONS OVERVIEW

Sirma Solutions is Sirma Group Holding's biggest contributor to the top line. It is a mini-holding within the holding.

Leading Bulgarian system integrator

The product: The company is among the leading system integrators in Bulgaria with two key areas of business: (1) IT system integration services for the public sector in developing an e-government environment and (2) software development and integration services for both the private and public sector both locally and internationally.

The company maintains close partnerships with the industry's leading technology companies and independent software vendors. Sirma Solutions is Microsoft Gold Partner, IBM Advanced Partner, Oracle Gold Partner, HP Preferred Gold Partner etc.

The Bulgarian market represents 70% of the company's revenues with the majority coming from the private sector and about 15% from the public sector. Private sector clients include the leading courier company Speedy, the biggest telecom Vivacom, Skrill, IBM, the mining company Assarel-Medet, Bulgarian State Railways, etc.

Sirma Solutions is also a partner for the public sector in Bulgaria. Some of its recent projects include system integration and e-government services for the Ministry of Transportation,

Information technology and Communications, the National Revenue Agency, The National Customs Agency, The Prosecutor's Office of Republic Bulgaria, Sofia Municipality, etc.

Another 30% of Sirma Solutions' revenues come from rendering services internationally, mostly the US (X1 Corporation, Axiom Education) but also the UK (Bright Talk, Temenos) and the Scandinavian region (ComCom, Norway). Going forward, the company will invest heavily in further developing its international outreach both in the US and the UK.

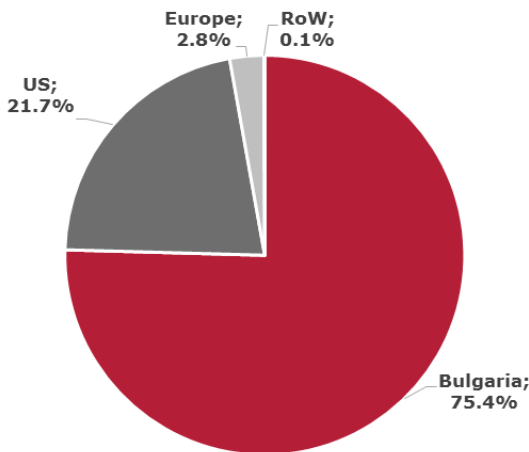
Sirma Solutions is also the Group's ideas incubator. Currently, a key company project is the customer loyalty platform – Loyax which it offers as a white label solution for the retail, shopping malls, travel and tourism, banking and other industries. Latest projects with the Loyax system were launched in Guadeloupe, Nigeria and Russia.

Another key project is the mobile payment solution Paymobilio that allows accepting credit card payments with a smart phone everywhere. Semantic image search and recognition is a third key idea under development within the company. Its team is working on developing object recognition technology from images and video where it reports advances in 2014.

The numbers: In 2014, Sirma Solutions added 15% to its top line to BGN 12.3m and reported 18.2% EBITDA margin. Post –restructuring three year average of the former and latter is 23% and 30%, respectively. FY2014 bottom line was boosted by one off restructuring deal of selling a subsidiary. Excluding the one off effect, the company registers 5% normalized net income margin which is slightly below its three year average.

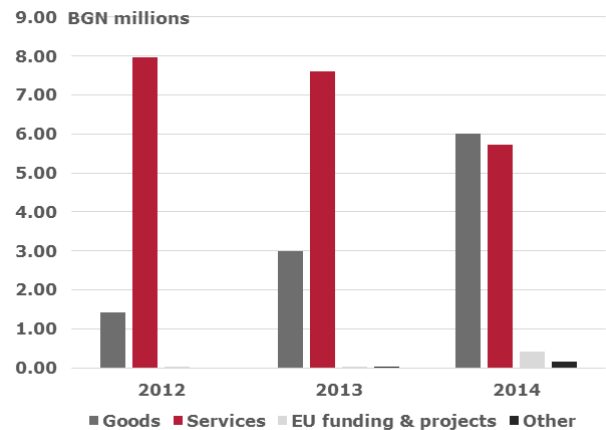
The company's top line may further be affected by one off items in the short to mid-term as it has reclassified older software modules from intangible assets to assets for sale. The management expects to dispose of these assets with no harm to the Group's technological integrity. The reclassified assets available for sale amount to BGN 9.8m (23% of FY 2014 total assets) and include older software modules for the financial industry (card transactions processing, information exchange between institutions, tariff systems), cryptographic module, location based services and others.

Exhibit 11: Bulgaria biggest market for Sirma Solutions



Source: Company data; FY 2014

Exhibit 12: Difficult to dismantle hardware from software services



Source: Elana Trading estimates, company data

Exhibit 13: Bulgarian public sector provides on ave. 17% of Sirma Solutions' sales

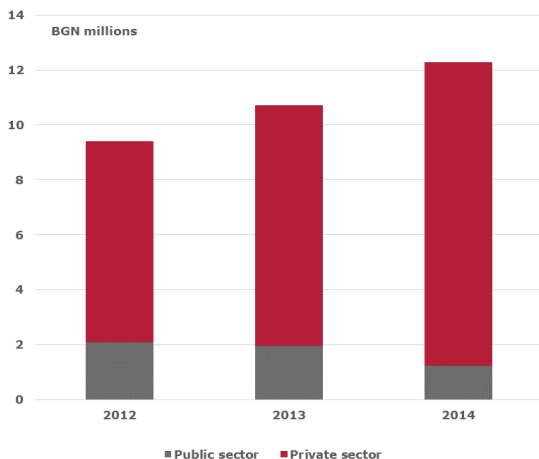
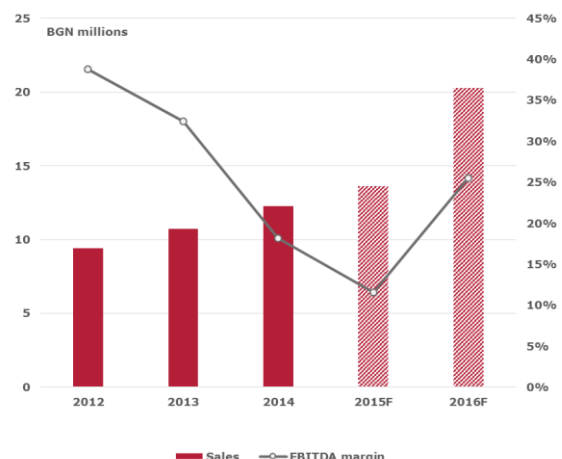


Exhibit 14: Sales growth to accelerate in 2016 when post IPO investments kick-in



Source: Company data; FY 2014

Source: Company data; Elana Trading estimates

SIRMA SOLUTIONS FINANCIAL OVERVIEW

('000 BGN)	2012	2013	2014	2015F		2012	2013	2014	2015F
Revenues	9 414	10 725	12 283	13 630	Total Assets	39 066	39 972	42 493	46 343
EBITDA	3 653	3 475	2 236	1 575	Intangibles	14 589	12 367	4 674	6 134
Net income	537	670	5 620	407	Goodwill	0	0	0	0
EBITDA margin	38.8%	32.4%	18.2%	11.6%	Book value	35 946	36 517	38 126	41 845
NI margin	5.7%	6.3%	45.8%	3.0%	Total Liabilities	3 120	3 455	4 367	4 498
Sales per share	0.303	0.345	0.395	0.438	Interest bearing debt	1 086	1 283	1 706	1 499
EPS	0.017	0.022	0.181	0.014	D/E	0.03	0.04	0.04	0.04
ROE	1.5%	1.8%	14.7%	1.0%	ROA	1.4%	1.7%	13.2%	0.9%

SIRMA BUSINESS CONSULTING OVERVIEW

Sirma Business Consulting (SBC) is the Group's fin-tech company. It is a leading banking and financial industry technology provider implementing financial IT solutions for almost all Bulgarian banks as well as international institutions on the Balkans, South and Northern Europe, and the Americas.

The company specialists are experienced and certified Oracle's iFlex products implementers (Flexcube UBS – core banking IT system and FLEXBRANCH – web based IT bank branch solution) in Bulgaria, the Balkans, Europe and Americas. The company also provides internally developed UBX regulatory reporting solutions for management and information processing to the Bulgarian National Bank, the Central Credit Registry and the European Central Bank (UBRex key ECB reporting own product).

SBC also provides an all-types-banking-cards management system SCARDS as well as a payment portal system and management for payment systems like SEPA, BISERA, RINGS, SWIFT, SEBRA, TARGET 2.

SIRMA BUSINESS CONSULTING FINANCIAL OVERVIEW

('000 BGN)	2012	2013	2014	2015F		2012	2013	2014	2015F
Revenues	3 815	3 259	3 009	3 460	Total Assets	2 694	3 302	3 525	3 806
EBITDA	814	1 287	766	649	Intangibles	945	859	1 301	1 419
Net income	298	413	375	291	Goodwill	0	0	0	0
EBITDA margin	21.3%	39.5%	25.5%	18.8%	Book value	2 446	2 644	3 040	3 391
NI margin	7.8%	12.7%	12.5%	8.4%	Total Liabilities	248	658	485	415
Sales per share	1.74	1.48	1.18	1.36	Interest bearing debt	0	0	0	0
EPS	0.136	0.188	0.148	0.11	D/E	0.00	0.00	0.00	0.00
ROE	12.2%	15.6%	12.3%	8.6%	ROA	11.1%	12.5%	10.6%	7.6%

SIRMA ITT OVERVIEW

Sirma ITT is among the most recent examples of the synergies within the Group. The company was created for a special project with the Bulgarian Customs Agency. In 2014, however, it pivoted into service oriented infrastructure focusing on semantic document management solutions.

The product: Currently, the company develops an integrated platform for semantic integration, content and enterprise management. It helps organizations and enterprises transform documents into "smart paper" that can be alive via constant updates using the semantic technology for annotation and inferencing.

The company already struck a deal with a long term customer of the Group the US vision metrology company QVI for all its ISO certification and contract documents management. The leading animal health pharmaceutical producer Huvepharma is also among the first enterprise users of the document management solution.

With this technology, Sirma ITT will also be a natural partner for the Bulgarian e-government initiative. The company already brought to the e-world 50 services of the Sofia

municipality (biggest in Bulgaria). The project will be extended shortly to other municipalities in Bulgaria with Sirma ITT providing the tech solution for its implementation. The company will also implement an e-services project for the Bulgarian Drug Agency.

In addition, in 2015 Sirma ITT struck another BGN 1.8m two year contract with the National Gallery of Arts in the US for the Conservation Space project. The project is funded by the Andrew W. Mellon Foundation and aims providing an open-source software application for the conservation community in better managing its documentation. Sirma ITT was first elected as a developer in the project in 2013. Ontotext, on the other hand, is part of the parallel Research Space project, also funded by the Andrew W. Mellon Foundation but operated by the British Museum and the Yale University.

The numbers: Sirma ITT is among the smallest and youngest subsidiaries in the Group. With the latest pivot, the company is yet to have a more sustainable performance both on the top and bottom line. In 2014, due to long term contract in 2013 it delivered a 34% decline in the top line. However, with the newest pivot and higher capitalized R&D expenses on the new semantic document management platform the company reported 76% EBITDA margin. On average during the next five years the Group's management expect a 44% top line increase and 44% EBITDA margin, with 2016 delivering a one off big sales jump due to the upcoming platform release and the new heritage contract.

SIRMA ITT FINANCIAL OVERVIEW

('000 BGN)	2012	2013	2014	2015F		2012	2013	2014	2015F
Revenues	1 383	2 186	1 436	1 559	Total Assets	1 660	2 290	3 428	3 166
EBITDA	150	1 060	1 097	776	Intangibles	940	1 500	955	2 807
Net income	56	457	82	136	Goodwill	0	0	0	0
EBITDA margin	10.8%	48.5%	76.4%	49.7%	Book value	923	1 380	1 321	1 482
NI margin	4.0%	20.9%	5.7%	8.8%	Total Liabilities	737	910	2 107	1 684
Sales per share	0.99	1.57	1.03	1.25	Interest bearing debt	2	168	630	312
EPS	0.040	0.329	0.059	0.11	D/E	0.00	0.12	0.48	0.21
ROE	6.1%	33.1%	6.2%	9.2%	ROA	3.4%	20.0%	2.4%	4.3%

DATICUM OVERVIEW

Daticum is the Group's collocation service provider and data center. It is a joint investment with Bulgaria's leading copper ore mining and processing company Assarel Medet.

It is a Tier 4 data center thus is fully fault-tolerant, everything is dual powered and robust to host most critical computer systems.

The center hosts both local and international clients including, Fast Company acknowledged "one of top 10 most innovative companies in sports" Synergy Sports' NBA; ScaleFocus, water utility service provider Sofiyska Voda, leading Bulgarian courier Speedy, etc.

Daticum is also among the smaller data centers in Bulgaria. However, instead of providing just yet another rack, the company plans to add value and grow in the future providing IaaS by increasing capacity and capability via cloud storing and resourcing. The company plans to rent additional physical space in Amsterdam and Frankfurt to scale the service globally.

Local competitors include Neterra, TelePoint, 3DC (acquired by TeleCity Group (TCY.LN) in 2013 at 9x EV/EBITDA).

DATICUM FINANCIAL OVERVIEW

('000 BGN)	2012	2013	2014	2015F		2012	2013	2014	2015F
Revenues	1 336	1 645	1 732	5 253	Total Assets	2 405	2 531	2 644	3 414
EBITDA	427	596	642	1 004	Intangibles	32	28	17	0
Net income	24	152	208	747	Goodwill	0	0	0	0
EBITDA margin	32.0%	36.2%	37.1%	19.1%	Book value	2 209	2 361	2 544	3 152
NI margin	1.8%	9.2%	12.0%	14.2%	Total Liabilities	196	170	100	263
Sales per share	0.58	0.71	0.75	2.28	Interest bearing debt	0	0	0	0
EPS	0.01	0.07	0.09	0.32	D/E	0.09	0.07	0.04	0.08
ROE	1.1%	6.4%	8.2%	23.7%	ROA	1.0%	6.0%	7.9%	21.9%

FINANCIAL ANALYSIS AND VALUATION

Sirma Group Holding is a growing IT company with a solid presence on the Bulgarian market and expanding international position via software development and niche semantic tech products. The Company's IPO will be a turning point in its development as it will set the ground to triple the size of the Group over the next five years.

The planned proceeds from the IPO of BGN 20m+ will speed up product development and sales and marketing for geographical expansion. Thus, would scale the top line but also affect the bottom line as the Group will partially forfeit its cost advantage as forecasted by the management.

To come up with an intrinsic value for the Group we use the Sum of the Parts model where we incorporate DCF valuation of its key subsidiaries. In our subsidiaries valuation we take into account individual companies size, top and bottom line specifics as well as management expectations.

FINANCIAL PERFORMANCE ANALYSIS

Sirma Group Holding grew faster than the overall software market. The Group reported 24% CAGR over the past three years vs. 14% CAGR for the market over the same period. The 2012-2014 numbers take into account only the current holding structure as in 2014 the Company underwent a restructuring and took out all small to no growth potential projects.

Organic growth came from both expanding software integration and development business at Sirma Solutions and growing niche product monetization at Ontotext and EngView Systems. All these was achieved with little external financing. With significant IPO funding, BGN 20m+, the Group's management expect to continue growing the top line easily at 30%+ over the next five years. Management hopes to achieve a BGN 100m sales threshold or more than triple revenues during this period by scaling internationally with significant sales, marketing and R&D investments. We are slightly more conservative on the top line expansion and expect a 28% CAGR over the next five years.

During the past three years Sirma Group Holding has also outperformed the domestic market in terms of EBITDA and net profit margins. The Group delivered 37% average EBIDA margin in 2012-2014, which is three times the market average in Bulgaria, and 13% average Net income margin free of one off effects in 2014, which is twice the local market average.

Profitability, however, will be affected going forward due to higher sales and marketing expenses due to US expansion. The Group aims at increasing its US presence by investing in local IT talent on a sales and project management level. Thus, it plans to unlock higher top line growth at the partial expense of its considerable cost advantage. The US IT workforce is five times more expansive than its domestic workforce.

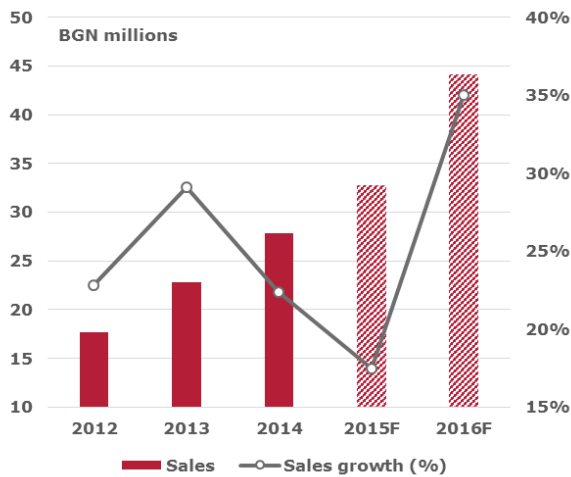
Accordingly, we expect consolidated wage expenses to increase by 20% on average over the next five years or 2.5x FY2014 expenses starting as early as 2015 when the Company started hiring sales and project management personnel in the US. External service costs should also be on the upside, especially in the initial investment years 2015-2016. Thus, based on management margin guidelines, we expect EBITDA margin and Net income margin to be lower vs. historical average in the initial years and then revert to historic levels. In line with H1'2014 results, we expect 18.6% EBITDA margin and 5.4% net profit margin in 2015. Going forward, return on sales investments shall bring profitability to a 28% average EBITDA margin and 15% average net income margin.

Organic top line growth should exceed 20%

Profit margins to narrow due to investments in geographical expansion

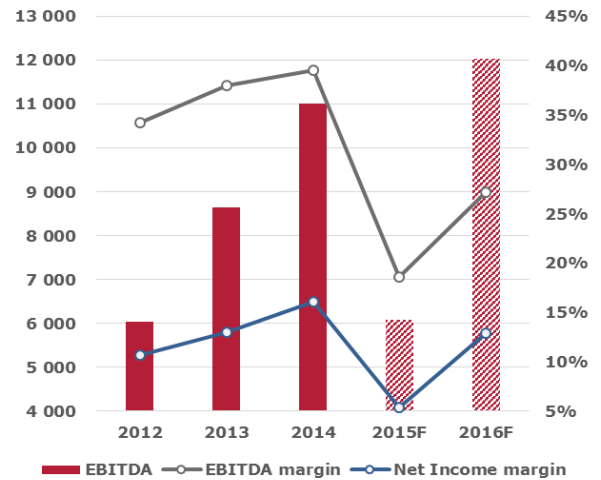
	2014	TTM	2015F	2016F
Number of Shares, year end	49 837	49 837	65 837	65 837
Intrinsic value per share	1.86	1.86	1.86	1.86
Value to minority shareholders ('000 BGN)	92 609	92 609	122 341	122 341
Sales ('000 BGN)	27 866	29 155	32 728	44 183
P/S	3.32	3.18	3.74	2.77
Equity ('000 BGN)	82 329	86 624	106 747	115 322
P/B	1.12	1.07	1.15	1.06
EBITDA ('000 BGN)	11 001	10 739	6 081	12 022
EV/EBITDA	8.42	8.62	20.12	10.18
Net Profit (normalized) ('000 BGN)	4 474	4 614	1 755	5 689
P/E	20.70	20.07	69.70	21.51
ROE	6.99%	5.33%	2.00%	6.04%
ROA	4.75%	4.55%	1.53%	4.60%

Exhibit 15: 17% expected sales growth in 2015



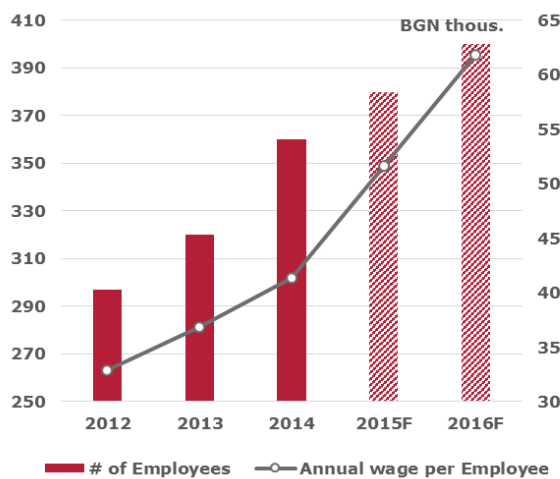
Source: Company data; Elana Trading estimates

Exhibit 16: Margins to start recovering in 2016



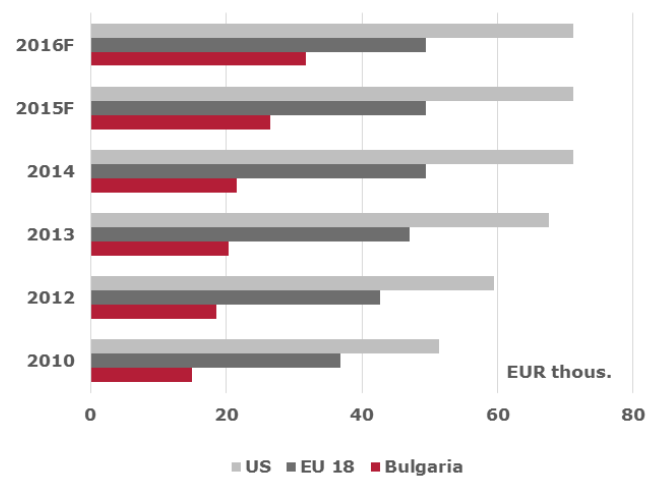
Source: Company data; Elana Trading estimates

Exhibit 17: Investments in international sales to eat up some of the employee cost advantage



Source: Company data; Elana Trading estimates

Exhibit 18: ...but remain way below EU and US IT specialist average annual costs



Source: BASSCOM; Elana Trading Estimate

VALUATION OF SIRMA GROUP HOLDING

To extract the most proper value to a minority shareholder in Sirma Group Holding we value only the Holding's key subsidiaries and disregard smaller projects. We use a discounted cash flow model to come up with an intrinsic value to each individual subsidiary.

When summing the parts we take into account Sirma's stake but we do not subtract a holding discount as we believe that in this case the holding and the synergies within it add value to the structure rather than subtract it. We also take into account the recent Google restructuring in presenting the Alphabet holding structure to better manage and operate its diverse business to which the market reacted with a premium to the company's valuation.

In valuing Sirma's key subsidiaries we take into account management's guidelines as to the top and bottom line as well as the planned CAPEX and borrowings. However, on a consolidated base, we are more cautious on the top line but believe in the better earnings power of the Group, especially with its focus on improving sales and marketing and further expanding geographically. Thus, we expect weaker FY 2015 in terms of profitability in line with H1'2015 results due to started investment in international sales workforce. We expect profitability to start normalizing in 2016 and from 2017 onward to reveal the real earnings power of the group.

We also present a peer multiple comparison which signals that within Sirma's IPO price range, the Company is undervalued compared to global and Central and East European peers. Our comparison guideline is the P/S multiple as we believe it most representative

for the industry. Additionally, when taking into account recent market transactions i.e. Telerik sale to US Progress Software and US MarkLogic funding round, we consider both Sirma Group Holding and key subsidiaries as Ontotext as considerably undervalued.

Finally, we use a conservative cost of equity to arrive at an intrinsic value for the group by taking into account Bulgaria's risk free rate measured via is 10 year international bonds yield and conservative sector market risk premium. To be further on the safe side, we add a growth company risk premium to get a 10.6% cost of equity.

Thus, we arrive at a BGN 1.86 conservative intrinsic value per share of Sirma Group Holding.

SUM-OF-THE-PARTS AND SUBSIDIARIES DCF

SIRMA SOLUTIONS ('000 BGN)	2012	2013	2014	2015F	2016F	2017F	2018F	2019F
Revenue	9 414	10 725	12 283	13 630	20 293	23 783	29 895	35 277
<i>Sales growth</i>		13.9%	14.5%	11.0%	48.9%	17.2%	25.7%	18.0%
EBITDA	3 653	3 475	2 236	1 575	5 183	6 437	8 514	10 869
<i>EBITDA margin</i>	38.8%	32.4%	18.2%	11.6%	25.5%	27.1%	28.5%	30.8%
Net Profit	537	670	5 620	407	3 094	3 989	5 036	6 547
<i>Net Profit margin</i>	5.7%	6.3%	45.8%	3.0%	15.2%	16.8%	16.8%	18.6%
Plus: Depreciation	2 494	2 622	1 903	850	1 400	1 600	2 500	3 100
Less: NWC	-488	-32	571	19	67	34	62	56
Less: CAPEX	2 107	3 177	2 669	1 140	4 432	3 869	4 449	4 894
Plus: Net borrowing	1	194	408	0	0	0	0	0
Free cash flow to Equity (FCFE)	1 413	341	4 691	98	-5	1 686	3 025	4 698
Terminal value								63 664
Discount factor				0.9672	0.8742	0.7904	0.7147	0.6462
PV FCFE				95	-4	1 333	2 162	3 035
PV TV				41 138				
PV Equity ('000 BGN)				47 759				

ONTOTEXT ('000 BGN)	2012	2013	2014	2015F	2016F	2017F	2018F	2019F
Revenue	6 300	6 059	6 870	7 598	10 030	15 044	21 062	29 487
<i>Sales growth</i>		-3.8%	13.4%	10.6%	32.0%	50.0%	40.0%	40.0%
EBITDA	1 998	2 371	4 123	1 952	3 306	5 268	7 492	9 036
<i>EBITDA margin</i>	31.7%	39.1%	60.0%	25.7%	33.0%	35.0%	35.6%	30.6%
Net Profit	988	417	1 645	26	446	1 961	3 690	5 073
<i>Net Profit margin</i>	15.7%	6.9%	23.9%	0.3%	4.4%	13.0%	17.5%	17.2%
Plus: Depreciation	856	1 828	2 285	1 874	2 760	3 036	3 340	3 340
Less: NWC	-429	52	161	154	-79	150	-30	168
Less: CAPEX	1 664	1 935	3 644	3 936	5 894	2 801	3 091	3 640
Plus: Net borrowing	0	0	785	0	0	0	0	0
Free cash flow to Equity (FCFE)	609	258	910	-2 190	-2 609	2 046	3 969	4 604
Terminal value								62 402
Discount factor				0.9672	0.8742	0.7904	0.7147	0.6462
PV FCFE				-2 118	-2 281	1 617	2 836	2 975
PV TV				40 323				
PV Equity ('000 BGN)				43 353				

ENGVIEW SYSTEMS ('000 BGN)	2012	2013	2014	2015F	2016F	2017F	2018F	2019F
Revenue	1 915	1 817	2 685	3 039	3 951	5 927	7 705	9 246
<i>Sales growth</i>		-5.1%	47.8%	13.2%	30.0%	50.0%	30.0%	20.0%
EBITDA	207	172	584	325	1 088	2 287	2 755	3 130
<i>EBITDA margin</i>	10.8%	9.5%	21.8%	10.7%	27.5%	38.6%	35.8%	33.8%
Net Profit	204	167	537	305	917	1 834	2 334	2 696
<i>Net Profit margin</i>	10.7%	9.2%	20.0%	10.0%	23.2%	30.9%	30.3%	29.2%
Plus: Depreciation	13	14	15	17	99	279	189	166
Less: NWC	164	50	395	185	317	393	353	282
Less: CAPEX	-17	-12	-19	387	1 662	190	190	190
Plus: Net borrowing	3	0	2	0	0	0	0	0
Free cash flow to Equity (FCFE)	73	144	177	-249	-963	1 530	1 980	2 390

Terminal value								32 395
Discount factor	0.9672	0.8742	0.7904	0.7147				0.6462
PV FCFE	-241	-842	1 209	1 415				1 545
PV TV	20 933							
PV Equity ('000 BGN)	24 019							

SIRMA ITT ('000 BGN)	2012	2013	2014	2015F	2016F	2017F	2018F	2019F
Revenue	1 383	2 186	1 436	1 559	3 500	4 899	6 369	7 643
<i>Sales growth</i>		58.1%	-34.3%	8.6%	124.4%	40.0%	30.0%	20.0%
EBITDA	150	1 060	1 097	776	1 880	1 919	2 469	3 036
<i>EBITDA margin</i>	10.8%	48.5%	76.4%	49.7%	53.7%	39.2%	38.8%	39.7%
Net Profit	56	457	82	136	1 083	1 012	1 404	1 905
<i>Net Profit margin</i>	4.0%	20.9%	5.7%	8.8%	31.0%	20.7%	22.0%	24.9%
Plus: Depreciation	65	516	941	588	641	750	858	866
Less: NWC	-91	118	-1 006	32	331	123	29	31
Less: CAPEX	-1	807	1 278	1 587	1 023	1 017	17	17
Plus: Net borrowing	10	170	1 145	0	0	0	0	0
Free cash flow to Equity (FCFE)	223	218	1 896	-894	371	622	2 216	2 723

Terminal value								36 907
Discount factor	0.9672	0.8742	0.7904	0.7147				0.6462
PV FCFE	-865	325	491	1 584				1 760
PV TV	23 848							
PV Equity ('000 BGN)	27 143							

SIRMA BUSINES CONSULTING	2012	2013	2014	2015F	2016F	2017F	2018F	2019F
Revenue	3 815	3 259	3 009	3 460	4 325	5 623	7 029	8 435
<i>Sales growth</i>		-14.6%	-7.7%	15.0%	25.0%	30.0%	25.0%	20.0%
EBITDA	814	1 287	766	649	1 715	2 229	2 789	3 363
<i>EBITDA margin</i>	21.3%	39.5%	25.5%	18.8%	39.6%	39.6%	39.7%	39.9%
Net Profit	298	413	375	291	1 249	1 711	2 217	2 737
<i>Net Profit margin</i>	7.8%	12.7%	12.5%	8.4%	28.9%	30.4%	31.5%	32.4%
Plus: Depreciation	494	841	367	340	340	340	340	340
Less: NWC	-48	-299	23	138	260	383	415	415
Less: CAPEX	30	755	838	0	1 085	1 085	585	340
Plus: Net borrowing	0	0	0	0	0	0	0	0
Free cash flow to Equity (FCFE)	810	798	-119	492	244	583	1 557	2 322

Terminal value								31 468
Discount factor	0.9672	0.8742	0.7904	0.7147				0.6462
PV FCFE	476	213	461	1 112				1 500
PV TV	20 334							
PV Equity ('000 BGN)	24 097							

DATICUM ('000 BGN)	2012	2013	2014	2015F	2016F	2017F	2018F	2019F
Revenue	1 336	1 645	1 732	5 253	2 926	4 125	4 950	5 347
<i>Sales growth</i>		23.1%	5.3%	203.3%	-44.3%	41.0%	20.0%	8.0%
EBITDA	427	596	642	1 004	767	1 265	1 527	1 613
<i>EBITDA margin</i>	32.0%	36.2%	37.1%	19.1%	26.2%	30.7%	30.8%	30.2%
Net Profit	24	152	208	747	407	554	808	1 043
<i>Net Profit margin</i>	1.8%	9.2%	12.0%	14.2%	13.9%	13.4%	16.3%	19.5%
Plus: Depreciation	407	441	434	200	329	670	653	480
Less: NWC	88	-80	183	288	-396	181	124	44
Less: CAPEX	1 033	46	1 222	248	1 098	1 208	200	180
Plus: Net borrowing	0	0	0	0	0	0	0	0
Free cash flow to Equity (FCFE)	-690	627	-763	411	34	-165	1 138	1 300

Terminal value								17 617
Discount factor	0.9672	0.8742	0.7904	0.7147				0.6462
PV FCFE	398	29	-130	813				840
PV TV	11 384							
PV Equity ('000 BGN)	13 334							

SUM-OF-THE-PARTS

SIRMA SOLUTIONS VALUATION

Company	Stake	Fair Value (^{'000} BGN)	Value estimated (^{'000} BGN)	Valuation method
Sirma Solutions (Individual)	100.00%	47 759	47 759	FCFE
Sirma Business Consulting	55.23%	24 097	13 309	FCFE
Daticum	60.50%	13 334	8 067	FCFE

SIRMA SOLUTIONS CONSOLIDATED

69 135

SIRMA GROUP HOLDING VALUATION

Sirma Solutions Consolidated	81.05%	69 135	56 034	FCFE
EngView Systems	72.90%	24 019	17 510	FCFE
Ontotext	56.21%	43 353	24 369	FCFE
Sirma ITT	90.00%	27 143	24 428	FCFE

Sirma Group Holding (^{'000} BGN)

122 341

Number of shares outstanding (post-IPO)

65 837 153

VALUE PER SHARE (BGN)

1.86

COST OF EQUITY

Cost of Equity Estimation

A Risk-free rate	10-year Bulgarian government bond yield	2.50%
B Beta	NYU Sterns research estimate for Software development industry	1.06
C Market risk premium	Developed market risk premium (USA, Germany, etc.)	5.75%
D Growth company risk premium	0-3%	2.00%
E Cost of equity	E=A+B*C+D	10.6%

SENSITIVITY ANALYSIS

MANAGEMENT FORECASTS DISCOUNT

	70%	80%	90%	100%	110%	120%	130%
8.6%	1.89	2.12	2.37	2.64	2.93	3.24	3.58
9.6%	1.57	1.76	1.97	2.19	2.43	2.69	2.97
10.6%	1.33	1.49	1.67	1.86	2.06	2.28	2.52
11.6%	1.15	1.29	1.44	1.60	1.78	1.97	2.18
12.6%	1.00	1.13	1.26	1.41	1.56	1.73	1.91

IMPLIED IPO MULTIPLES

SIRMA 2016F	Net profit	Book value	Revenue	EBITDA
(^{'000} BGN)	5 689	115 322	44 183	12 022

IMPLIED MULTIPLES

IPO price range (BGN per share)	P/E	P/B	P/S	EV/EBITDA
Minimum	1.20	13.89x	0.69x	6.57x
	1.40	16.20x	0.80x	7.67x
	1.50	17.36x	0.86x	8.21x
Maximum	1.65	19.10x	0.94x	9.04x
Implied Intrinsic Value	1.86	21.53x	1.06x	10.19x

PEER COMPARISON

IT companies (Eastern Europe)

Company	Ticker	Country	Market Cap	P/E	P/B	P/S	EV/EBITDA	EV/EBIT
			(mBGN)	Current	Current	Current	Current	TTM
CD PROJEKT RED SA	CDR PW	POLAND	563.7	9.9x	5.9x	-	7.1x	7.2x
COMARCH SA	CMR PW	POLAND	242.9	10.8x	1.4x	0.9x	5.9x	8.5x
LOGO YAZILIM SANAYI VE TICAR	LOGO TI	TURKEY	148.0	15.2x	5.6x	4.5x	13.1x	16.6x
ASSECO BUSINESS SOLUTIONS SA	ABS PW	POLAND	108.1	15.2x	1.9x	3.1x	8.0x	10.5x
CIGAMES	CIG PW	POLAND	63.7	21.4x	3.2x	3.0x	2.0x	28.0x
PGS SOFTWARE SA	PSW PW	POLAND	38.3	28.2x	18.1x	6.7x	-	-
VIVID GAMES SA	VVD PW	POLAND	35.9	342.3x	29.7x	51.1x	20.6x	25.7x
11 BIT STUDIOS SA	11B PW	POLAND	34.6	109.0x	21.2x	43.8x	8.2x	8.7x
QUMAK SA	QMK PW	POLAND	28.3	39.8x	1.6x	0.2x	12.9x	18.8x
MACROLOGIC SA	MCL PW	POLAND	18.3	10.8x	2.6x	1.4x	5.3x	8.5x
Minimum				9.9x	1.4x	0.2x	2.0x	7.2x
Mean				56.4x	8.6x	15.8x	28.4x	14.4x
Median				17.9x	5.1x	4.2x	8.2x	11.1x
Maximum				342.3x	29.7x	55.0x	219.3x	28.0x

IT Companies (Global)

Company	Ticker	Country	Market Cap	P/E	P/B	P/S	EV/EBITDA	EV/EBIT
			(mBGN)	Current	Current	Current	Current	TTM
MICROSOFT CORP	MSFT US	USA	346 792.5	16.7x	4.3x	3.8x	12.2x	16.1x
ORACLE CORP	ORCL US	USA	159 350.8	16.1x	3.3x	4.2x	10.6x	12.8x
SAP SE	SAP GR	GERMANY	72 629.2	23.0x	3.5x	3.7x	13.5x	16.6x
SALESFORCE.COM INC	CRM US	USA	39 966.9	-	9.9x	7.3x	61.5x	-
ADOBE SYSTEMS INC	ADBE US	USA	34 244.7	108.3x	5.8x	8.9x	43.6x	69.4x
VMWARE INC-CLASS A	VMW US	USA	33 850.1	32.0x	4.6x	5.5x	22.8x	30.5x
INTUIT INC	INTU US	USA	21 201.9	46.3x	10.2x	5.5x	35.4x	50.0x
CERNER CORP	CERN US	USA	18 738.4	36.9x	5.4x	5.4x	21.4x	32.3x
DASSAULT SYSTEMES SA	DSY FP	FRANCE	15 674.9	45.5x	-	5.9x	-	-
CHECK POINT SOFTWARE TECH	CHKP US	ISRAEL	14 170.0	22.0x	4.0x	9.2x	12.9x	13.1x
SYMANTEC CORP	SYMC US	USA	13 642.4	14.0x	2.3x	2.2x	9.6x	13.6x
RED HAT INC	RHT US	USA	12 893.4	67.8x	9.6x	7.0x	37.4x	47.9x
CA INC	CA US	USA	12 003.5	15.1x	2.1x	2.9x	7.3x	9.7x
CITRIX SYSTEMS INC	CTXS US	USA	10 829.7	32.3x	4.9x	3.5x	17.6x	33.4x
AUTODESK INC	ADSK US	USA	9 266.8	539.3x	5.5x	4.1x	50.0x	184.7x
CONSTELLATION SOFTWARE INC	CSU CN	CANADA	8 382.6	63.4x	34.6x	5.5x	21.0x	38.4x
SAGE GROUP PLC	SGE LN	BRITAIN	7 450.3	27.7x	6.4x	4.1x	15.9x	18.3x
FORTINET INC	FTNT US	USA	7 173.0	487.4x	9.5x	8.0x	96.9x	157.4x
ANSYS INC	ANSS US	USA	7 136.2	32.3x	3.6x	8.6x	17.0x	21.0x
SYNOPSYS INC	SNPS US	USA	6 433.2	30.0x	2.3x	3.3x	14.8x	26.3x
CADENCE DESIGN SYS INC	CDNS US	USA	5 173.0	28.5x	4.2x	3.4x	14.0x	20.6x
OPEN TEXT CORP	OTC CN	CANADA	4 931.0	22.8x	3.0x	3.0x	9.9x	16.8x
TREND MICRO INC	4704 JP	JAPAN	4 884.3	25.7x	3.8x	4.7x	10.8x	13.5x
NUANCE COMMUNICATIONS INC	NUAN US	USA	4 484.4	-	2.2x	2.7x	26.7x	194.9x
ULTIMATE SOFTWARE GROUP INC	ULTI US	USA	4 446.1	131.3x	17.0x	9.0x	66.6x	95.6x
Minimum				14.0x	2.1x	2.1x	7.3x	9.7x
Mean				88.3x	8.8x	6.9x	120.5x	54.4x
Median				32.0x	5.6x	5.9x	21.5x	30.5x
Maximum				539.3x	34.6x	16.0x	2486.8x	217.9x

Source: Bloomberg

FINANCIAL DATA (AUDITED)

INCOME STATEMENT ('000 BGN)	2012A	2013A	2014A	TTM	2015F	2016F
Revenues	17 636	22 768	27 866	29 155	32 728	44 183
Materials	-480	-610	-481	-466	-916	-1 237
External services	-1 401	-4 449	-3 866	-4 477	-4 255	-4 418
Salaries & wages	-9 760	-11 805	-14 890	-16 340	-19 637	-24 742
Value of stock and assets sold	-1 775	-2 276	-5 073	-5 877	-4 909	-6 627
Changes in inventories	56	1 144	-995	-631	327	442
Capitalized own expenses	3 086	4 701	9 587	10 381	3 927	6 186
Other expenses	-1 329	-829	-1 147	-1 006	-1 185	-1 763
Total expenses	-11 603	-14 124	-16 865	-18 416	-26 647	-32 161
EBITDA	6 033	8 644	11 001	10 739	6 081	12 022
<i>EBITDA margin</i>	<i>34.21%</i>	<i>37.97%</i>	<i>39.48%</i>	<i>36.83%</i>	<i>18.58%</i>	<i>27.21%</i>
Amortization	-3 762	-5 285	-5 809	-5 395	-3 869	-5 569
EBIT	2 271	3 359	5 192	5 344	2 212	6 453
<i>EBIT margin</i>	<i>12.88%</i>	<i>14.75%</i>	<i>18.63%</i>	<i>18.33%</i>	<i>6.76%</i>	<i>14.61%</i>
Financial income/expense	-672	-431	5 494	5 482	-262	-133
Financial expense	-706	-2 124	-427	-521	-491	-442
Financial income	34	1 693	206	288	229	309
Other financial positions			5 715	5 715	0	0
Part of the profit of the associated companies	405	263		0	0	0
EBT	2 004	3 191	10 686	10 826	1 950	6 321
Taxes	-123	-242	-907	-907	-195	-632
Net Profit	1 881	2 949	9 779	9 919	1 755	5 689
<i>Net profit margin</i>	<i>10.67%</i>	<i>12.95%</i>	<i>35.09%</i>	<i>34.02%</i>	<i>5.36%</i>	<i>12.88%</i>

BALANCE SHEET ('000 BGN)	2012A	2013A	2014A	TTM	2015F	2016F
Intangible assets	36 605	31 692	30 023	32 077	32 728	41 974
Real estate, machinery and equipment	2 116	3 198	4 801	3 567	3 273	3 535
Investments in daughter companies	0	0	7	7	0	0
Investments in associated companies	8 710	8 263	429	376	0	0
Long-term financial assets	0	0	442	0	0	0
Deferred taxes	263	214	27	85	0	0
Capitalized own expenses (products in development)	0	27 031	11 527	15 096	16 364	22 091
Goodwill	11 587	13 744	19 398	19 398	19 637	20 324
Total long-term assets	59 281	84 142	66 654	70 606	72 002	87 924
Inventories	598	1 143	463	1 172	1 145	1 767
Trade receivables	1 664	4 430	7 377	6 283	6 546	13 255
Receivables from connected companies	2 182	0	1 060	657	655	663
Tax receivables	0	0	44	103	0	0
Other receivables and prepaid expenses	208	321	288	4 445	982	884
Cash and cash equivalents	1 714	2 460	3 003	2 876	25 332	10 162
Total short-term assets	6 366	8 354	12 235	15 536	34 659	26 731
Assets held for sales	20 874	0	15 265	15 265	11 160	13 476
Total assets	86 521	92 496	94 154	101 407	117 821	128 130
Share capital	73 341	73 341	49 837	49 837	65 837	65 837
Unpaid capital			-25	0	0	0
Reserves	2 858	2 940	2 222	5 617	0	0
Retained earnings (accumulated loss)	-1 793	-1 048	2 197	11 554	8 837	9 720
Current profit/loss	1 881	2 950	9 778	801	11 455	14 139
Non-controlling stakes	5 398	8 150	18 320	18 815	1 702	4 418
Total equity	81 685	86 333	82 329	86 624	18 982	21 208
Provisions	49	63	86	188	327	353
Liabilities to financial institutions	187	595	860	811	982	663
Financial leasing	0	34	97	94	0	0
Trade and other liabilities	51	279	867	867	1 866	1 767
incl. Other liabilities	0	0	0	0	0	0
incl. Deferred taxes	34	135	867	867	0	0
Financing	0	137	0	0	0	0
Total long-term liabilities	321	1 243	1 910	1 960	3 175	2 784
Short-term part of the long-term liabilities	107	0	0	4 391	2 291	1 314
Pension and other liabilities to the personnel			929	1 923	1 845	1 281
Provisions	304	732	728	590	327	442
Liabilities to financial institutions	1 567	2 107	3 920	0	0	0
Liabilities to related companies	187	0	185	0	164	221
Financial leasing	0	0	26	14	0	0
Trade and other liabilities	2 350	2 081	4 127	5 905	6 382	9 550
Total short-term liabilities	4 515	4 920	9 915	12 823	11 009	12 809
Total liabilities	4 836	6 163	11 825	14 783	14 183	15 592
Total Equity & Liabilities	86 521	92 496	94 154	101 407	117 821	128 130

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For more information, please contact:

Research analyst	Phone:	E-mail:	Internet:
Tatyana Vasileva	+359 2 810 00 24	vasileva@elana.net	www.elana.net
Tsvetoslav Tsachev	+359 2 810 00 23	tsachev@elana.net	www.elana.net