

SPEEDY
INDUSTRY: COURIER SERVICES
GAINING MOMENTUM

LEADING COURIER IN BULGARIA, SPEEDY, EXCELLED OVER THE 9M 2015 WITH NEWLY ACQUIRED DPD ROMANIA ADDING MOMENTUM. IN LINE WITH EXPECTATIONS, TOP LINE SUSTAINS DOUBLE DIGIT GROWTH WHILE PROFITABILITY SETTLES DOWN LOWER AS ROMANIAN OPERATIONS ARE YET TO REACH BULGARIAN MARGINS. EBITDA EXCELS.

TOP LINE SUSTAINS DOUBLE DIGIT GROWTH

In line with expectations, Speedy sustained double digit top line growth for the 9M 2015. Group sales are up 66% y/y with majority coming from freshly consolidated Romanian arm - DPD Romania. Currently, Romanian operations represent 1/3 of Speedy Group. Organic growth on the domestic Bulgarian arm stood at 12% y/y, expectedly down from 15% y/y in H1'15, driven by both B2B pallet delivery services and B2C e-commerce. FY 2015 will be the first full year with clean post-acquisition consolidated results. Nevertheless, extrapolated Romanian arm results signal double digit growth on the new market as well, thus adding momentum to Speedy's overall performance.

PROFITABILITY MARGINS LOWER DUE TO ROMANIAN CONSOLIDATION

Profitability margins settled down lower for the 9M 2015, in line with forecasts, as less profitable Romanian arm starts to weigh in. EBIT margin is down y/y 237 bps to 10.34%, net income margin decreased 294 bps to 8.11%. EBITDA margin, however, excelled due to higher depreciation from increased CAPEX in both Bulgarian and Romanian arm. Overall, consolidated EBITDA is up 54.5% y/y to BGN 16.2 m while net income more than doubled to BGN 7.4 m.

CONTINUED INVESTMENTS TO SPEED UP GROWTH AND RETURNS

With DPD Romania's acquisition in November 2014, Speedy entered a 3x bigger but less developed market. DPD Romania is B2C focused and holds 4th largest market share (4% of the market) while Speedy is a B2B leader in Bulgaria and plans to transpose its model in Romania. Accordingly, it started investing in renewal of the courier vehicles, logistics expansion and IT infrastructure upgrade to speed up expansion in Romania. Overall, investments in 9M 2015 totaled BGN 11.5m which we shall start adding returns 2016 earliest.

2015 EXPECTED DPS ACHIEVABLE

As the company has accomplished its cost optimization measures via transportation outsourcing, the 2015 expected BGN 1.29 per share looks achievable. This would yield a 3.66% DY based on current quotes. Speedy's unconsolidated 9M 2015 net income is up 50.5% y/y to BGN 10.4m while EBITDA is up 47.3% y/y to BGN 14.7m. The company's dividend payout guidance is at least 50% of annual profits.

VALUATION: Based on Speedy's 9M 2015 results we twitch downward our bottom line margins expectation but keep our top line estimate. These leave our target price almost unchanged. Thus, we keep our target price at BGN 38.43 per share but change our recommendation to HOLD from BUY as Speedy's stock price has added 18% y/y.

RESULTS ANALYSIS
RECOMMENDATION: HOLD
PREVIOUS RECOMMENDATION: BUY
ONE YEAR PRICE TARGET: BGN 38.43
CURRENT PRICE: BGN 35.20
EXCHANGE RATES
EUR/BGN (FIXED): 1.95583
USD/BGN: 1.81160
MARKET DATA

Shares Outstanding:	5.34 m
Share Capital:	5.34 m
Free-float:	8.6%
Treasury Shares	0%
Market Cap.:	BGN 187.3 m
52 Weeks Range:	BGN 25.35 – 37.00
BSE Ticker	OSP
Bloomberg Ticker	OSP BU

PRICE PERFORMANCE


Source: Bloomberg

in kBGN, excl. ratios	Q1 2014	Q2 2013	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015
REVENUES	17 272	18 082	19 281	26 313	28 130	29 388	33 264
<i>GROWTH Y/Y</i>	18.16%	16.70%	15.48%	35.02%	62.86%	62.53%	72.52%
EBITDA	4 102	2 784	3 620	5 642	5 445	4 821	5 965
EBIT	2 989	1 625	2 330	4 221	3 372	2 665	3 350
NET PROFIT	2 553	1 450	2 036	3 613	2 716	2 145	2 500
EQUITY	17 486	14 489	16 525	39 213	43 290	39 834	42 322
ROE (TTM)	55.05%	59.55%	44.21%	47.02%	37.46%	34.27%	30.28%
ROA (TTM)	26.32%	27.30%	20.36%	22.00%	18.84%	17.28%	15.55%
EBITDA MARGIN	23.75%	15.40%	18.77%	21.44%	19.36%	16.40%	17.93%
NET PROFIT MARGIN	14.78%	8.02%	10.56%	13.73%	9.66%	7.30%	7.52%
EPS	0.57	0.33	0.46	0.68	0.51	0.40	0.47
DEBT/EQUITY	0.55	0.69	0.64	0.51	0.50	0.46	0.47
P/E	13.59	12.02	16.54	16.47	17.94	15.98	17.02
P/B	6.08	7.06	6.86	4.05	4.07	4.22	4.41
EV/EBITDA	8.26	7.68	9.50	9.94	10.34	9.07	9.09

ANALYST'S COMMENTS

Speedy pleased with 9M'2015 consolidated results. Top and bottom lines were in line with expectations as the newly acquired Romanian arm starts to weigh in on Group's results.

DPD Romania represents 1/3 of Speedy's group operations as of Sept. 2015. The company acquired it in November 2014 as part of its strategic agreement with the French GeoPost. The latter acquired 25% of Speedy in the autumn of 2014 at 8x EV/EBITDA with the option to increase its stake to 70% in 2020 at the same EBITDA multiple.

Reversely, Speedy acquired GeoPost's Bulgarian and Romanian units – GeoPost Bulgaria and DPD Romania, and was empowered to expand Romanian operations and portfolio by transposing its proven business model in Bulgaria. Speedy financed the acquisitions with both debt and equity – BGN 10m investment loan /50% utilized as of Sept. 2015/ and a BGN 20m capital raise subscribed by GeoPost. The company paid BGN 8.2m and BGN 17.3m for GeoPost Bulgaria and DPD Romania, respectively.

Top line performance: Post-acquisition, Speedy does not publish separate results for Romania. Nevertheless, extrapolated Romanian arm results signal double digit growth on the new market which adds momentum to Speedy's overall performance. Domestic market growth sustained in the double digit zone. Domestic revenues are up 12% y/y for 9M 2015 to BGN 52.8m while revenues from international deliveries are up 581% y/y due to DPD Romania consolidation effect to BGN 31.2m. International deliveries revenue free of DPD Romania consolidation are up 29% to BGN 5.9m.

Major growth drivers are B2B pallet delivery services, international deliveries of up to 31.5 kg and expanding B2C e-commerce segment which Speedy serves via its Speedy Parcel Shop network in Bulgaria.

Total delivered packages are up 68% y/y to 14.3m from 8.5m a year ago but revenue per package is down as the B2C segment with smaller and cheaper packages is gaining weight. Overall consolidated sales are up 66% y/y to BGN 90.8m which is in line with our expectations. Accordingly, we keep our top line estimate unchanged.

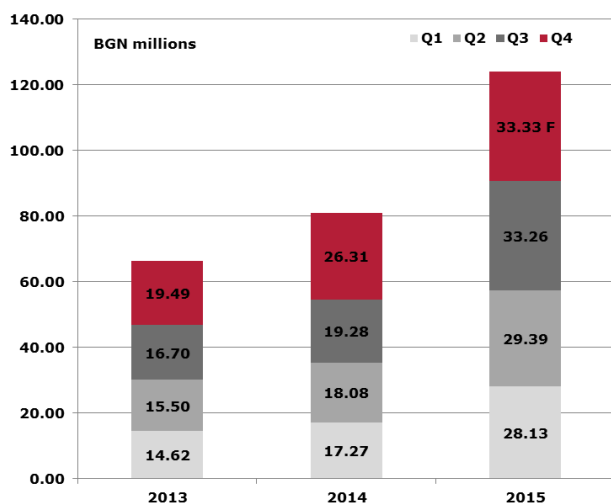
Bottom line results: EBITDA excelled expectations as Speedy accelerated investments in Romania and the same in Bulgaria increased depreciation expense for the period. Overall, consolidated EBITDA is up 54.5% y/y to BGN 16.2m while EBITDA margin stabilized at 17.88% better than estimates.

However, overall margins settled down lower in 2015 as the less profitable Romanian arm is yet to deliver results. EBIT and net income margins are lower than anticipated and as of Sept. 2015 stood at 10.34% (down 236 bps y/y) and 8.11% (down 294 bps y/y), respectively. Consolidated EBIT is up 155.5% y/y to 9.4m while net income is up 121.9% y/y to 7.4m.

ROE (ttm) is also down 31.5% y/y to 30.28% due to balance sheet metrics reshaping from the Q4 2014 acquisition and capital increase. ROA (ttm), on the other hand, is down 23% y/y to 15.5%. We expect both metrics to steady around these levels and start to improve 2016 forward with the end of the operations restructuring in Romania

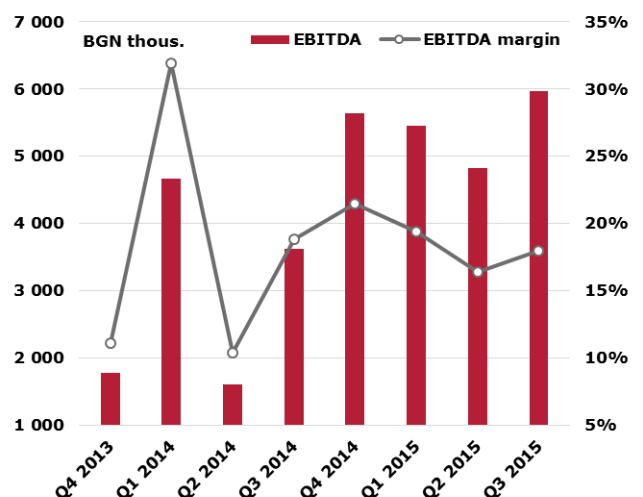
Valuation revision: Accordingly, we revise our bottom line estimates for the next five years but considering higher than expected investments in 2015 our estimate of Speedy's free cash flow generating ability remains unchanged. Thus, we remain comfortable with our initial BGN 38.43 per share target price as changed valuation parameters lead to almost the same final result.

ACQUISITION ACCELERATED GROWTH



Source: Company data, Elana Trading estimates

EBITDA MARGIN STEADIED AROUND 18%



Source: Company data

ANNUAL FINANCIAL DATA (AUDITED)

INCOME STATEMENT ('000 BGN)	2012	2013	2014	Q3 2014	Q3 2015	TTM	2015F	2016F
REVENUE	54 524	66 297	80 948	54 635	90 782	117 095	121 986	137 235
OPERATING EXPENSES	46 207	55 915	69 783	47 691	81 395	103 487	108 690	121 864
CHANGE IN INVENTORIES	0	0	0	0	0	0	0	0
COST OF MATERIAL	7 959	8 305	6 885	4 896	5 031	7 020	6 709	7 411
COST OF LABOR	18 857	20 383	17 987	12 665	16 262	21 584	21 836	24 016
COST OF EXTERNAL SERVICES	13 686	21 348	37 770	24 801	49 212	62 181	66 117	74 381
DEPRECIATION AND AMORTIZATION	2 733	3 176	4 983	3 562	6 844	8 265	8 539	9 881
NET BOOK VALUE OF ASSETS SOLD	1 654	1 428	1 141	1 137	3 093	3 097	4 270	4 803
OTHER COSTS	1 318	1 275	1 017	630	953	1 340	1 220	1 372
OPERATING INCOME	8 317	10 382	11 165	6 944	9 387	13 608	13 297	15 370
INTEREST EXPENSE	307	401	524	395	690	819	1 129	1 063
FOREIGN EXCHANGE LOSSES (GAINS)	1	6	17	9	33	41	(61)	(137)
NET NON-OPERATING LOSSES (GAINS)	(469)	108	(179)	(170)	73	64	73	165
PRETAX INCOME	8 478	9 867	10 803	6 710	8 591	12 684	12 155	14 280
INCOME TAX EXPENSE	864	1 040	1 151	671	1 230	1 710	1 702	1 999
INCOME BEFORE XO ITEMS	7 614	8 827	9 652	6 039	7 361	10 974	10 453	12 281
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	7 614	8 827	9 652	6 039	7 361	10 974	10 453	12 281
EARNINGS PER SHARE IN BGN	5.14	2.98	2.14	1.36	1.55	2.06	1.96	2.30
BALANCE SHEET ('000 BGN)	2012	2013	2014	Q3 2014	Q3 2015	TTM	2015F	2016F
CASH AND NEAR CASH ITEMS	3 956	8 714	11 043	1 801	7 853	7 853	7 295	9 618
SHORT-TERM INVESTMENTS	0	0	0	0	0	0	0	0
ACCOUNTS AND NOTES RECEIVABLE	12 016	11 892	23 591	16 165	25 012	25 012	24 397	27 447
INVENTORIES	556	605	530	819	640	640	1 586	1 647
OTHER CURRENT ASSETS	329	549	466	391	531	531	976	1 098
TOTAL CURRENT ASSETS	16 857	21 760	35 630	19 176	34 036	34 036	34 254	39 810
LT INVESTMENTS AND LT RECEIVABLES	0	0	0	0	22	22	0	0
NET FIXED ASSETS	8 251	14 671	23 741	16 014	22 573	22 573	25 617	27 447
OTHER LONG-TERM ASSETS	584	784	19 246	897	24 715	24 715	25 007	23 330
TOTAL LONG-TERM ASSETS	8 835	15 455	42 987	16 911	47 310	47 310	50 624	50 777
TOTAL ASSETS	25 692	37 215	78 617	36 087	81 346	81 346	84 878	90 586
ACCOUNTS PAYABLE	5 039	6 142	14 371	5 804	12 746	12 746	14 638	16 468
SHORT-TERM BORROWINGS	2 409	2 884	5 067	3 165	5 688	5 688	5 489	6 176
OTHER SHORT-TERM LIABILITIES	4 282	6 000	5 081	3 154	6 412	6 412	6 099	6 176
TOTAL CURRENT LIABILITIES	11 730	15 026	24 519	12 123	24 846	24 846	26 227	28 819
LONG-TERM BORROWINGS	3 439	7 256	14 885	7 439	14 178	14 178	14 638	12 351
OTHER LONG-TERM LIABILITIES	0	0	0	0	0	0	0	0
TOTAL LONG-TERM LIABILITIES	3 439	7 256	14 885	7 439	14 178	14 178	14 638	12 351
TOTAL LIABILITIES	15 169	22 282	39 404	19 562	39 024	39 024	40 865	41 170
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	4 447	5 336	4 447	5 336	5 336	5 536	5 536
RETAINED EARNINGS & OTHER EQUITY	9 041	10 486	33 877	12 078	36 986	36 986	38 476	43 880
TOTAL EQUITY	10 523	14 933	39 213	16 525	42 322	42 322	44 012	49 416
TOTAL LIABILITIES & EQUITY	25 692	37 215	78 617	36 087	81 346	81 346	84 878	90 586
	2012	2013	2014	Q3 2014	Q3 2015	TTM	2015F	2016F
NUMBER OF SHARES:	1 482 200	4 446 600	5 335 919	4 446 600	5 335 919	5 335 919	5 335 919	5 335 919
PRICE IN BGN - PERIOD END:	51.50	22.00	32.50	24.67	34.40	35.20	35.20	35.20
MARKET CAP IN BGN - PERIOD END:	76 333	97 830	173 417	109 698	183 556	187 824	187 824	187 824

Source: Company financial statements, ELANA Trading forecasts

QUARTERLY FINANCIAL DATA (UNAUDITED)

INCOME STATEMENT ('000 BGN)	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015
REVENUE	16 697	19 488	17 272	18 082	19 281	26 313	28 130	29 388	33 264
OPERATING EXPENSES	12 581	18 032	14 283	16 457	16 951	22 092	24 758	26 723	29 914
COST OF MATERIAL	1 920	1 952	1 768	1 547	1 581	1 989	1 582	1 831	1 618
COST OF LABOR	3 469	6 787	3 204	5 044	4 417	5 322	5 284	5 473	5 505
COST OF EXTERNAL SERVICES	5 641	7 612	7 674	8 184	8 943	12 969	15 208	16 485	17 519
DEPRECIATION AND AMORTIZATION	863	854	1 113	1 159	1 290	1 421	2 073	2 156	2 615
NET BOOK VALUE OF ASSETS SOLD	339	382	286	325	526	4	278	523	2 292
OTHER COSTS	349	445	238	198	194	387	333	255	365
OPERATING INCOME	4 116	1 456	2 989	1 625	2 330	4 221	3 372	2 665	3 350
NET INCOME	3 688	818	2 553	1 450	2 036	3 613	2 716	2 145	2 500

BALANCE SHEET ('000 BGN)	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015
ASSETS									
CASH & NEAR CASH ITEMS	3 014	8 714	7 254	2 632	1 801	11 043	10 714	8 475	7 853
ACCOUNTS & NOTES RECEIVABLE	11 173	11 892	11 417	12 321	16 165	23 591	22 301	24 199	25 012
INVENTORIES	542	605	420	709	819	530	591	1 196	640
TOTAL CURRENT ASSETS	15 193	21 760	19 604	16 099	19 176	35 630	34 113	34 362	34 036
NET FIXED ASSETS	11 731	14 671	14 470	15 548	16 014	23 741	23 657	21 277	22 573
OTHER LONG-TERM ASSETS	709	784	835	889	897	19 246	20 614	22 830	24 715
TOTAL LONG-TERM ASSETS	12 440	15 455	15 305	16 437	16 911	42 987	44 271	44 107	47 310
TOTAL ASSETS	27 633	37 215	34 909	32 536	36 087	78 617	78 384	78 469	81 346
LIABILITIES & SHAREHOLDERS' EQUITY									
ACCOUNTS PAYABLE	6 553	6 142	5 573	7 419	5 804	14 371	10 054	16 392	12 746
SHORT-TERM BORROWINGS	2 223	2 884	2 852	2 851	3 165	5 067	5 340	5 625	5 688
OTHER SHORT-TERM LIABILITIES	78	6 000	2 146	559	3 154	5 081	3 431	3 959	6 412
TOTAL CURRENT LIABILITIES	8 854	15 026	10 571	10 829	12 123	24 519	18 825	25 976	24 846
LONG-TERM BORROWINGS	4 664	7 256	6 852	7 218	7 439	14 885	16 269	12 659	14 178
TOTAL LONG-TERM LIABILITIES	4 664	7 256	6 852	7 218	7 439	14 885	16 269	12 659	14 178
TOTAL LIABILITIES	13 518	22 282	17 423	18 047	19 562	39 404	35 094	38 635	39 024
TOTAL EQUITY	14 115	14 933	17 486	14 489	16 525	39 213	43 290	39 834	42 322
TOTAL LIABILITIES & EQUITY	27 633	37 215	34 909	32 536	36 087	78 617	78 384	78 469	81 346

FINANCIAL AND PERFORMANCE INDICATORS	2012	2013	2014	2015F	2016F
VALUATION					
PRICE/EARNINGS (P/E)	10.03	7.39	15.22	17.97	15.29
PRICE/BOOK (P/B)	7.25	6.55	4.42	4.27	3.80
PRICE/SALES (P/S)	1.40	1.48	2.14	1.54	1.37
EV (IN '000 BGN)	78 225	99 256	182 326	200 658	196 733
EV/EBITDA	7.08	7.32	11.29	9.19	7.79
PROFITABILITY					
RETURN ON COMMON EQUITY	80.33%	69.35%	35.65%	25.12%	26.29%
RETURN ON ASSETS	32.68%	28.06%	16.67%	12.79%	14.00%
RETURN ON INVESTED CAPITAL	53.80%	44.33%	24.03%	18.53%	19.98%
EBITDA MARGIN	20.27%	20.45%	19.95%	17.90%	18.40%
OPERATING MARGIN	15.25%	15.66%	13.79%	10.90%	11.20%
NET INCOME MARGIN	13.96%	13.31%	11.92%	8.57%	8.95%
DIVIDEND					
DIVIDEND YIELD	5.79%	4.55%	3.23%	3.66%	4.25%
DIVIDEND PER SHARE (BGN)	2.98	1.00	1.05	1.29	1.50
LIQUIDITY					
CURRENT RATIO	1.44	1.45	1.45	1.31	1.38
QUICK RATIO	1.36	1.37	1.41	1.21	1.29
CREDIT					
LT DEBT/EQUITY	0.33	0.49	0.38	0.33	0.25
TOTAL DEBT/EQUITY	0.56	0.68	0.51	0.46	0.37
TOTAL DEBT/TOTAL ASSETS	0.23	0.27	0.25	0.24	0.20

SPEEDY Overview

Ticker	OSP	Recommendation	HOLD	Outstanding Shares	5.34 m
Bloomberg ticker	OSP BU	Last review	13 th November 2015	Free Float	8.6%
Current Price	BGN 35.20	1Y Target Price	BGN 38.43	Avr. Daily Volume	BGN 14,000

COMPANY PROFILE

Established 1998, Speedy 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.

The company is also 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. The B2B segment contributes the most the Company's revenues, but B2C is advancing fast as well.

In 2014, Europe's 2nd largest land courier service provider GeoPost SA, part of the French La Poste Group, acquired 25% in Speedy at a 8x EV/EBITDA and with the option to increase its stake to 70% by 2020. Reversely, Speedy acquired GeoPost's subsidiaries in Bulgarian and Romania - GeoPost Bulgaria and DPD Romania, with the strategic goal of expanding on the Romanian market. Speedy's founder - Valeri Mektupchian and managers currently are managing the Romanian business restructuring. It aims at transposing Speedy's proven business model in Romania as well.

FUNDAMENTAL STORY

Speedy has gone through the economic crisis with flying colors sustaining a 30%+ ROE thanks to its integrated and innovative product range, flexible operations, skillful management and solid market presence.

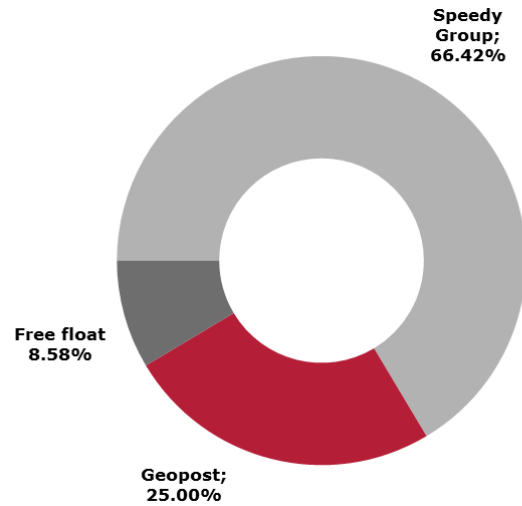
The Company adapts fast to market opportunities with innovative products offering both B2B logistics outsourcing services for supply-chain-optimization and B2C delivery services via a wide range of small pickup points all over the country. It also provides door to door deliveries.

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. It is also looking into Greece and Serbia and at the same is aiming at expanding international land deliveries via its DPD Europe cooperation.

STRENGTHS & OPPORTUNITIES

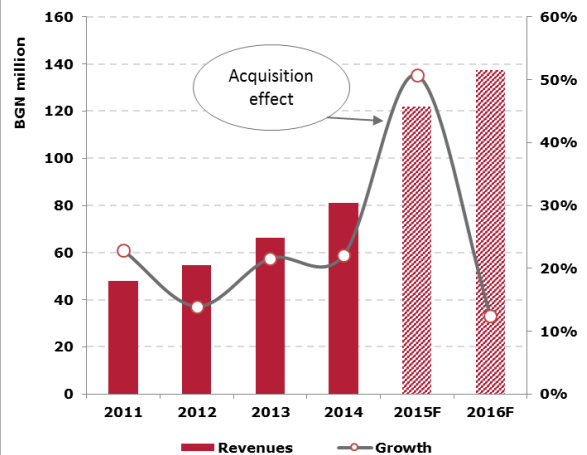
- Good corporate governance
- Clear dividend policy
- Solid market position in Bulgaria
- Integrated product range
- High growth potential with booming e-commerce
- Excellent brand recognition

SHAREHOLDERS' STRUCTURE



Source: Company data; Elana Trading calculations

DOUBLE DIGIT GROWTH TO CONTINUE



Source: Company data; Elana Trading estimates

WEAKNESSES & THREATS

- Low free float
- Price competition from other courier players

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BUY	Target price is more than 10% above current quotes
HOLD	Target price in +/-10% range of the current quotes
SELL	Target price is more than 10% below the current quotes

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