

SOPHARMA

INDUSTRY: PHARMACEUTICALS

RECOVERY SPEEDING UP

SOPHARMA'S FUNDAMENTALS ARE RECOVERING WELL ABOVE EXPECTATIONS WITH EXCELLENT Q1'17 TOP LINE AND FURTHER IMPROVEMENT IN Q2'17. RECOVERY IS SPEEDING UP CONSIDERABLY WITH BOTH RUSSIA AND UKRAINE ON THE LEAD. THE LATTER GIVES US COMFORT TO FURTHER RAISE OUR ESTIMATES AS THE COMPANY IS CLOSING IN ON PRE 2014 CRISIS LEVELS

TOP LINE RECOVERY SPEEDING UP

Sopharma's top line is recovering faster than expected with Russia advancing quickly after inflecting in late 2016. Q1'17 standalone top line results positively surprised with 12.2% y/y rise to BGN 46.6m while preliminary H1'17 data signal recovery is speeding up to 18% y/y rise in sales. If the pace is sustained, by year end the Company will be closing in on its pre 2014 Russia/Ukraine crisis results.

EXPORTS SURGE 24% Y/Y IN Q1'17 AND 30% IN H1'17

Exports drive the recovery with 24% y/y surge in Q1'17 to BGN 29.7m accelerating to 30% y/y in H1'17. Sales in Russia alone advanced 32% y/y in Q1'17 overtaking the Bulgarian market as a top seller. Management expects the Russian uptrend to be sustained by year end which together with a positive development in the Caucasus and Central Asia region to deliver strong 2017 results.

PROFITABILITY IN CHECK

Despite a surge in manufacturing costs, standalone operating and net profitability remain in check. EBITDA was flat at BGN 16.5m in Q1'17 while EBIT declined 1.2% y/y to BGN 12.8m on slightly higher depreciation. Net income improved 2.6% y/y to BGN 12m on lower interest expense and reversal of impaired trade loans.

INSIDERS CONTINUE TO ADD STOCK

Due to new regulatory regime with respect to insider trading, the latter continued to be active in adding Sopharma stock. In mid-June 2017, key shareholder and CEO Ognyan Donev acquired 0.37% stake and increased his investment to 25.15% of the registered capital via Donev Investments Holding.

GOING FORWARD WITH TABEX IN THE US

In mid-June, US SEC approved the merger between Sopharma's smoking cessation drug Tabex US rights holder - Achieve Life Science, and OngoGenex Pharmaceuticals (OGXI US). The latter paves the way for a final OncoGenex shareholders' approval to be put on vote in August 1st, 2017. Achieve and OngoGenex plan to get Tabex registered in the US with first significant development expected as early as 2018. If approved, Sopharma to be eligible to royalty and manufacturing benefits.

VALUATION/RISKS

VALUATION: We are positively surprised by Sopharma's latest financial results which give us the comfort to do a second upward revision in our estimates this year, excluding the Tabex opportunity in the US until any concrete results emerge. We keep our 10% holding discount due to Sopharma's M&A activity. Yet, this yields another increase in our one year price target from BGN 4.82 to BGN 5.20 per share with a BUY recommendation. **RISKS:** Russia and Ukraine on the lookout.

RESULTS ANALYSIS

BUY
ONE YEAR PRICE TARGET: BGN 5.20
CURRENT PRICE: BGN 4.69
PREVIOUS PRICE TARGET: BGN 4.82

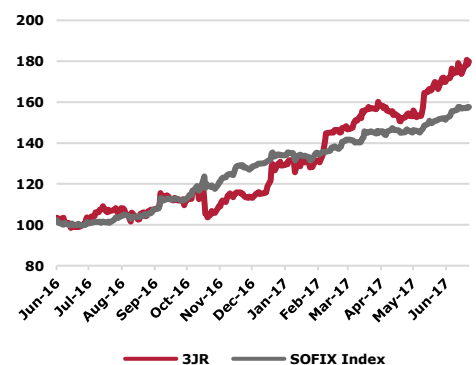
EXCHANGE RATES

EUR/BGN (FIXED): 1.95583
USD/BGN: 1.83164

MARKET DATA

Shares Outstanding:	129.6 m
Share Capital:	134.7 m
Free-float:	33%
Treasury Shares	4.20%
Market Cap.:	BGN 633 m
Avg. Daily Vol.:	BGN 140 000
52 Weeks Range:	BGN 2.51 – 4.69
BSE Ticker	3JR
Bloomberg Ticker	3JR BU

OUTPACING THE MARKET



Source: Bloomberg

In kBGN, excl. ratios	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
Revenues	47 501	34 413	51 391	41 497	37 433	39 915	44 982	46 576
<i>Growth y/y</i>	<i>-11.80%</i>	<i>-23.55%</i>	<i>-0.15%</i>	<i>2.47%</i>	<i>-21.20%</i>	<i>15.99%</i>	<i>-12.47%</i>	<i>12.24%</i>
EBITDA	9 615	6 513	11 820	16 498	4 820	9 027	9 908	16 496
EBIT	5 863	2 929	8 394	12 985	1 325	5 582	6 442	12 824
Net profit	18 667	2 118	-2 647	11 711	22 047	3 257	755	12 012
Equity	413 613	432 516	434 568	443 362	456 343	458 507	462 875	474 871
ROE (TTM)	7.28%	6.24%	6.14%	7.06%	7.62%	7.72%	8.37%	8.29%
ROA (TTM)	5.03%	4.37%	4.38%	5.14%	5.71%	5.94%	6.58%	6.61%
EBITDA margin	20.24%	18.93%	23.00%	39.76%	12.88%	22.62%	22.03%	35.42%
EBIT margin	12.34%	8.51%	16.33%	31.29%	3.54%	13.98%	14.32%	27.53%
Net profit margin	39.30%	6.15%	-5.15%	28.22%	58.90%	8.16%	1.68%	25.79%
EPS	0.14	0.02	-0.02	0.09	0.17	0.03	0.01	0.09
Debt/equity	0.31	0.30	0.25	0.24	0.20	0.19	0.17	0.15
P/E (TTM)	13.04	12.88	13.44	11.68	10.18	11.24	13.72	15.77
P/B (TTM)	0.90	0.75	0.78	0.79	0.74	0.84	1.12	1.26
EV/EBITDA	13.74	13.63	11.85	10.17	10.94	11.16	14.95	16.78

SOPHARMA'S INDIVIDUAL RESULTS REVIEW

Sopharma, the leading generic pharmaceutical company in Bulgaria, is recovering faster than expected from the Russia/Ukraine conflict on strong exports.

Revenue breakdown: The Company booked 12.2% y/y rise in sales in Q1'17 on 24% surge in exports. The latter was supported by a 32% y/y increase in sales to Russia and 51% y/y rise in other exports markets in the Caucasus and Central Asia region. Ukraine also performed well during the period but is still growing from a low base.

In Q1'17, Russia surpassed Bulgaria as a top seller for the first time since 2015. Sales to Russia stood at BGN 17.3m as of March 2017. Sopharma's management remains positive on the uptrend in the country. If the pace is sustained the standalone results of the Company will considerably close in on its pre 2014 Russia/Ukraine crisis levels.

Exports growth accelerated in Q2'17 as preliminary H1'17 results point to 18% y/y rise in overall revenues on 30% y/y advance in exports.

This implies the Company is recovering faster than we initially expected. Our estimates were for a stable 2017 top line with 3% y/y rise in revenues and a more sensible recovery in 2018 with 6% y/y rise. However, latest financial performances signal our initial estimates were too conservative. Latest results as well as management guidance give us the comfort to considerably increase our expectations. Accordingly, we raise our 2017 top line growth estimate to 15% y/y. We also up our bottom line expectations.

Profitability review: The latter has been stable over the last couple of quarters on a normalized basis after a cost optimization program.

In Q1'17, operating profitability remained stable despite the surge in sales. EBITDA was flat y/y at BGN 16.5m on flat basic material costs with 6% y/y decline in API costs to BGN 6.15m and 88% y/y rise in herbs costs to BGN 936k. Sopharma uses herbs for its original phyto-based drugs which are also its top sellers. Top 3 sellers for the Company are original drugs Carsil (liver deases), Tempalgin (painkiller) and Tabex (smoking cessation).

In Q1'17, Sopharma also booked 16% y/y rise in external service costs, mostly on surge in expenses for medicine manufacturing (BGN 2.4m in Q1'17 vs BGN 1.6m in Q1'16).

Further down the line, the Company also book 5.7% y/y rise in

labor costs and 4.5% y/y rise in depreciation expense. Accordingly, EBIT is down 1.2% y/y to BGN 12.8m.

Net income, however, is up 2.6% y/y to BGN 12m on lower interest expenses and reversal of impaired trade loans.

Sopharma continued its delivering on a standalone basis with total interest bearing debt down 33% y/y to BGN 70.6m. Yet, most of the debt burden of the Group comes from the distribution arm Sopharma Trading (SO5 BU). We expect the standalone debt position to be sustained at the current levels or slightly lower as no major investment projects are on the horizon for Sopharma. The latter has yet to fill its operating capacity and is more active in portfolio diversification via M&A, rather than organic expansion.

M&A activity: Sopharma finalized its tender offer for Unipharm (59X BU), a long time subsidiary with most of its manufacturing coming from Sopharma. Post the tender offer it increased its stake in Unipharm to 96.63%, acquiring 19% for c.BGN4.9m.

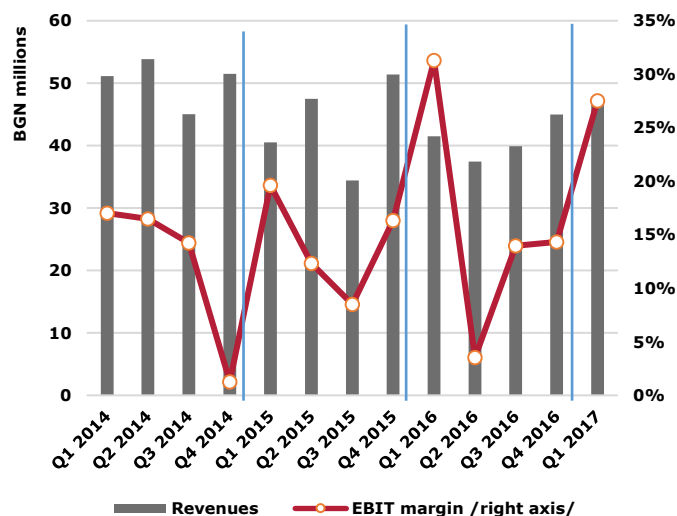
The Company is also in process of merging bandages and other medical consumables producer Medica (5MA BU) after completing a tender offer for it in 2016. The merger will affect Sopharma's standalone top and bottom line as Medica's operations so far have been independent of Sopharma. For 2016, Medica booked BGN 18m in revenues and BGN 2m in net profit.

TABEX in the US: Finally, Sopharma is awaiting development with the US registration of its smoking cessation drug Tabex. The Company sold the US rights to Achieve Life Science in 2015 for c.USD 4m.

In 2016, Achieve partnered with OncoGenex Pharmaceuticals (NASDAQ:OGXI) to initiate new trials and FDA registration process. The companies are planning to merger pending on OncoGenex shareholders' approval. The US SEC has approved the merger. Oncogenex shareholders are expected to convene for a meeting Aug 1st, 2017.

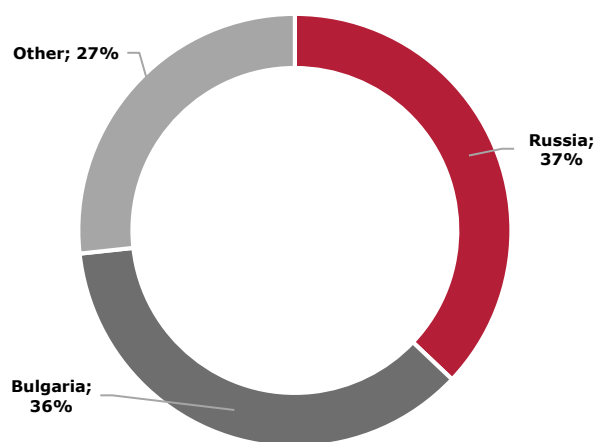
Both companies are also in collaboration with the National Institute of Health for new trials on Tabex. Any significant development on the drug are expected as early as 2018 with Sopharma to earn royalties on major milestones as well as manufacturing orders if the drug is registered. At this stage, we do not incorporate Tabex development in our valuation.

Exhibit 2: Top and bottom line in initial recovery...



Source: Company data

Exhibit 3: Russia returns as a top market in Q1'17



Source: Company data

INDIVIDUAL FINANCIAL DATA

Income Statement ('000 BGN)	2014	2015	2016	Q1 2016	Q1 2017	TTM	2017F	2018F
Sales	201 461	173 803	163 827	41 497	46 576	168 906	188 401	199 705
Other operating income	3 973	3 651	4 193	923	933	4 203	4 243	4 328
Change in Inventories	14 039	6 667	360	7 029	4 143	-2 526	188	-200
Cost of Material	-73 920	-61 619	-55 172	-16 452	-17 032	-55 752	-62 172	-66 502
Cost of External Services	-56 396	-41 275	-33 297	-7 036	-8 133	-34 394	-39 564	-41 938
Cost of Labor	-37 605	-35 331	-34 414	-8 820	-9 327	-34 921	-36 738	-38 942
Other Operating Expenses	-9 902	-6 210	-5 244	-643	-664	-5 265	-5 652	-5 991
Total Operating Expenses	-163 784	-137 768	-127 767	-29 435	-34 685	-133 017	-143 938	-153 573
EBITDA	41 650	39 686	40 253	16 498	16 496	40 251	48 706	50 460
Depreciation and amortization	-16 989	-14 549	-13 919	-3 513	-3 672	-14 078	-12 811	-12 581
EBIT	24 661	25 137	26 334	12 985	12 824	26 173	35 895	37 879
Impairment on non-current assets	-3 252	-8 567	-5 627	0	0	-5 627	-2 826	0
Financial revenues	13 001	17 922	24 158	591	993	24 560	9 420	9 985
Financial costs	-4 690	-6 312	-3 176	-702	-413	-2 887	-2 506	-2 353
Financial income (loss)	8 311	11 610	20 982	-111	580	21 673	6 914	7 633
EBT	29 720	28 180	41 689	12 874	13 404	42 219	39 983	45 511
Income taxes	-2 429	-2 826	-3 919	-1 163	-1 392	-4 148	-3 998	-4 551
Net Income	27 291	25 354	37 770	11 711	12 012	38 071	35 985	40 960

Balance Sheet ('000 BGN)	2014	2015	2016	Q1 2016	Q1 2017	TTM	2017F	2018F
Inventories	57 360	61 701	56 807	66 894	59 148	59 148	58 404	61 909
Receivables from related parties	99 505	78 035	71 076	76 041	76 213	76 213	71 592	77 885
Trade Receivables	23 397	21 466	22 479	16 058	21 307	21 307	26 376	27 959
Other receivables	11 901	6 881	7 304	7 489	9 387	9 387	8 478	7 988
Cash & Cash Equivalents	4 076	3 745	4 343	9 954	2 425	2 425	4 940	6 024
Current Assets	196 239	171 828	162 009	176 436	168 480	168 480	169 791	181 765
Property, Plant & Equipment	211 056	211 943	209 326	210 969	207 204	207 204	208 183	207 693
Intangibles	3 210	2 507	2 177	2 420	2 241	2 241	1 884	1 997
Investment property	22 368	22 160	22 840	22 160	22 840	22 840	25 434	24 963
Investments in subsidiaries	101 449	132 899	152 802	144 001	158 011	158 011	162 025	167 752
Investments available for sale	4 439	5 510	5 229	5 609	0	0	3 768	3 994
Receivables from related parties	33 150	20 505	11 011	12 001	14 528	14 528	15 072	13 979
Other receivables	6	3 257	3 714	3 114	3 662	3 662	377	399
Non-Current Assets	375 678	398 781	407 099	400 274	408 486	408 486	416 743	420 779
Total Assets	571 917	570 609	569 108	576 710	576 966	576 966	586 534	602 543
Share Capital	132 000	134 798	134 798	134 798	134 798	134 798	134 798	134 798
Treasury Stock	-17 203	-17 597	-18 809	-17 603	-18 809	-18 809	-18 809	-18 809
Reserves	246 243	284 227	304 403	284 042	304 387	304 387	329 952	359 771
Retained Earnings	45 484	30 198	42 483	42 125	54 495	54 495	38 103	36 716
Shareholders' Equity	406 524	431 626	462 875	443 362	474 871	474 871	484 044	512 476
Short-term Bank Loans	90 761	68 961	48 291	69 047	41 416	41 416	41 448	37 944
Current Portion of LT Bank Loans	7 431	7 380	7 185	7 153	7 153	7 153	7 536	5 991
Liabilities to Related Parties	4 154	3 070	497	1 834	1 775	1 775	1 884	1 997
Account Payables	7 909	8 014	4 712	5 584	6 418	6 418	7 536	7 988
Tax Liabilities	938	965	609	355	1 582	1 582	942	999
Liabilities to Employees & Soc. Sec.	4 564	4 769	5 363	5 310	6 054	6 054	7 536	7 988
Other Current Liabilities	1 151	1 508	1 514	1 489	1 509	1 509	2 826	1 997
Current Liabilities	116 908	94 667	68 171	90 772	65 907	65 907	69 708	64 904
Long Term Bank Loans	37 972	30 819	23 844	29 200	22 047	22 047	22 608	17 973
Deferred Taxes	4 124	4 697	5 703	4 639	5 686	5 686	5 652	3 395
Liabilities to Employees on Retirement	2 387	2 426	2 649	2 491	2 714	2 714	1 319	1 398
Financial Leases	34	3	0	0	0	0	377	399
Other Long Term Liabilities	3 968	6 371	5 866	6 246	5 741	5 741	2 826	1 997
Non-Current Liabilities	48 485	44 316	38 062	42 576	36 188	36 188	32 782	25 163
Total Liabilities	165 393	138 983	106 233	133 348	102 095	102 095	102 490	90 067
Shareholders' Equity & Liabilities	571 917	570 609	569 108	576 710	576 966	576 966	586 534	602 543

Source: Company IFRS Financial Statements Audited; Elana Trading Estimates

INDIVIDUAL QUARTERLY FINANCIAL DATA

Income Statement ('000 BGN)	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
Sales	47 501	34 413	51 391	41 497	37 433	39 915	44 982	46 576
Other operating income	1 298	1 097	735	923	1 186	876	1 208	933
Change in Inventories	-807	2 634	-832	7 029	-2 748	-6 774	2 853	4 143
Cost of Material	-15 455	-13 503	-17 087	-16 452	-13 297	-8 524	-16 899	-17 032
Cost of External Services	-10 746	-9 462	-9 951	-7 036	-7 827	-8 110	-10 324	-8 133
Cost of Labor	-10 104	-7 891	-7 797	-8 820	-9 426	-7 803	-8 365	-9 327
Other Operating Expenses	-2 072	-775	-4 639	-643	-501	-553	-3 547	-664
Total Operating Expenses	-42 936	-32 581	-43 732	-29 435	-37 294	-35 209	-39 748	-34 685
EBITDA	9 615	6 513	11 820	16 498	4 820	9 027	9 908	16 496
Depreciation and amortization	-3 752	-3 584	-3 426	-3 513	-3 495	-3 445	-3 466	-3 672
EBIT	5 863	2 929	8 394	12 985	1 325	5 582	6 442	12 824
Impairment on non-current assets	0	0	-8 567	0	0	0	-5 627	0
Financial revenues	14 576	1 775	710	591	22 216	613	738	993
Financial costs	-959	-1 059	-3 466	-702	-1 182	-1 234	-58	-413
Financial income (loss)	13 617	716	-2 756	-111	21 034	-621	680	580
EBT	19 480	3 645	-2 929	12 874	22 359	4 961	1 495	13 404
Income taxes	-813	-1 527	282	-1 163	-312	-1 704	-740	-1 392
Net Income	18 667	2 118	-2 647	11 711	22 047	3 257	755	12 012

Balance Sheet ('000 BGN)	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
Inventories	61 816	65 998	57 292	66 894	62 978	59 110	56 807	59 148
Receivables from related parties	93 946	83 364	80 063	76 041	96 186	88 917	71 076	76 213
Trade Receivables	27 339	27 955	21 457	16 058	16 232	19 231	22 479	24 116
Other receivables	6 999	6 234	6 520	7 489	7 409	12 019	7 304	6 578
Cash & Cash Equivalents	3 343	2 843	3 911	9 954	4 741	1 686	4 343	2 425
Current Assets	193 443	186 394	169 243	176 436	187 546	180 963	162 009	168 480
Property, Plant & Equipment	211 606	209 654	210 620	210 969	209 665	208 956	209 326	207 338
Intangibles	2 912	2 516	2 303	2 420	2 362	2 387	2 177	2 107
Investment property	22 365	22 365	22 160	22 160	22 160	22 160	22 840	22 840
Investments in subsidiaries & assoc.	130 313	131 866	133 810	144 001	138 448	138 589	152 802	152 873
Investments available for sale	4 636	5 924	5 425	5 609	5 941	5 839	5 229	5 138
Receivables from related parties	26 937	32 283	20 505	12 001	12 089	12 240	11 011	14 528
Other receivables	5	3 038	3 258	3 114	3 540	3 507	3 714	3 662
Non-Current Assets	398 774	407 646	398 081	400 274	394 205	393 678	407 099	408 486
Total Assets	592 217	594 040	567 324	576 710	581 751	574 641	569 108	576 966
Share Capital	134 798	134 798	134 798	134 798	134 798	134 798	134 798	134 798
Treasury Stock	-17 398	-17 597	-17 597	-17 603	-17 602	-18 637	-18 809	-18 809
Reserves	284 209	284 678	284 143	284 042	300 828	300 744	304 403	304 387
Retained Earnings	30 907	32 689	27 113	42 125	38 319	41 602	42 483	54 495
Shareholders' Equity	432 516	434 568	428 457	443 362	456 343	458 507	462 875	474 871
Short-term Bank Loans	90 659	92 229	68 961	69 047	54 596	52 417	48 291	41 416
Current Portion of LT Bank Loans	7 329	7 363	7 380	7 153	7 153	7 153	7 185	7 153
Liabilities to Related Parties	2 990	3 078	1 609	1 834	3 607	770	497	1 775
Account Payables	6 131	5 322	8 051	5 584	5 913	4 029	4 712	6 418
Tax Liabilities	464	1 077	1 821	355	830	609	609	1 582
Liabilities to Employees & Soc. Sec.	5 835	4 990	4 618	5 310	6 046	5 470	5 363	6 054
Other Current Liabilities	1 430	1 328	1 502	1 489	5 837	5 798	1 514	1 509
Current Liabilities	114 838	115 387	93 942	90 772	83 982	76 246	68 171	65 907
Long Term Bank Loans	34 379	32 582	30 819	29 200	27 436	25 640	23 844	22 047
Deferred Taxes	4 046	5 100	5 161	4 639	5 277	5 554	5 703	5 686
Liabilities to Employees on Retirement	2 602	2 701	2 571	2 491	2 598	2 703	2 649	2 714
Financial Leases	18	9	3	0	-	0	0	0
Other Long Term Liabilities	3 818	3 743	6 371	6 246	6 115	5 991	5 866	5 741
Non-Current Liabilities	44 863	44 135	44 925	42 576	41 426	39 888	38 062	36 188
Total Liabilities	159 701	159 522	138 867	133 348	125 408	116 134	106 233	102 095
Shareholders' Equity & Liabilities	592 217	594 090	567 324	576 710	581 751	574 641	569 108	576 966

Source: Company IFRS Financial Statements

CONSOLIDATED FINANCIAL DATA

Income Statement ('000 BGN)	2013	2014	2015	2016	Q1 2016	Q1 2017	TTM
Sales	761 136	840 517	874 984	877 085	215 812	239 728	901 001
Other operating income	4 893	5 465	-2 678	9 483	-345	1 964	11 792
Change in Inventories	-3 307	12 279	4 207	-994	6 694	3 877	-3 811
Cost of Material	-87 148	-96 334	-86 396	-82 906	-23 342	-24 999	-84 563
Cost of External Services	-58 682	-67 207	-65 661	-56 408	-12 443	-13 710	-57 675
Cost of Labor	-74 763	-80 880	-81 501	-87 159	-20 915	-22 737	-88 981
Other Operating Expenses	-14 112	-15 172	-11 599	-14 313	-1 660	-1 438	-14 091
Book value of goods sold	-448 854	-530 842	-568 590	-571 132	-141 564	-153 985	-583 553
Total Operating Expenses	-686 866	-778 156	-809 540	-812 912	-193 230	-212 992	-832 674
EBITDA	79 163	67 826	62 766	73 656	22 237	28 700	80 119
Depreciation and amortization	-23 272	-27 802	-26 326	-28 705	-6 800	-7 234	-29 139
EBIT	55 891	40 024	36 440	44 951	15 437	21 466	50 980
Impairment on non-current assets	-2 898	-494		-967			-967
Financial revenues	6 553	5 392	6 828	7 014	1 302	1 205	6 917
Financial costs	-22 489	-17 594	-21 640	-12 721	-3 941	-2 430	-11 210
Financial income (loss)	-15 936	-12 202	-14 812	-5 707	-2 639	-1 225	-4 293
Profit/Loss from associated companies	892	310	-1 275	8 972	-509	337	9 818
Profit/loss on subsidiaries acquisition/disposal	-11	1 561	7 222	14 860			14 860
EBT	37 938	29 199	27 575	62 109	12 289	20 578	70 398
Income taxes	-5 159	-5 082	-4 975	-7 207	-1 925	-2 394	-7 676
Minority Interest	3 387	3 939	1 286	4 264	-78	1 182	5 524
Net Income	29 392	20 178	21 314	50 638	10 442	17 002	57 198

Balance Sheet ('000 BGN)	2013	2014	2015	2016	Q1 2016	Q1 2017	TTM
Inventories	140 352	155 910	163 129	171 791	163 496	167 717	167 717
Receivables from related parties	29 149	25 318	27 434	14 982	25 462	14 536	14 536
Trade Receivables	191 127	196 330	205 589	215 583	212 245	219 190	219 190
Other receivables	11 609	22 445	14 505	17 727	13 574	15 376	15 376
Cash & Cash Equivalents	27 134	26 822	23 486	22 539	27 103	24 269	24 269
Current Assets	399 371	426 825	434 143	442 622	441 880	441 088	441 088
Property, Plant & Equipment	306 728	299 037	315 005	321 215	306 401	318 000	318 000
Intangibles	28 347	24 188	35 502	44 486	35 151	44 410	44 410
Investment property	10 526	10 606	10 562	9 483	10 562	9 754	9 754
Investments in subsidiaries	1 640	12 387	5 224	18 715	4 418	19 196	19 196
Investments available for sale	8 187	6 968	7 424	5 721	7 590	5 668	5 668
Receivables from related parties	25 649	33 150	20 505	10 028	11 091	13 529	13 529
Other receivables	3 515	4 202	7 262	6 951	8 153	6 711	6 711
Non-Current Assets	384 592	390 538	401 484	416 599	383 366	417 268	417 268
Total Assets	783 963	817 363	835 627	859 221	825 246	858 356	858 356
Share Capital	132 000	132 000	134 798	134 798	134 798	134 798	134 798
Treasury Stock	32 026	36 069	48 855	62 708	51 899	62 724	62 724
Reserves	195 896	203 260	222 238	259 984	236 051	276 777	276 777
Retained Earnings	54 350	60 308	51 749	33 733	33 621	35 138	35 138
Shareholders' Equity	414 272	431 637	457 640	491 223	456 369	509 437	509 437
Short-term Bank Loans	208 643	217 360	190 785	190 875	187 686	177 921	177 921
Current Portion of LT Bank Loans	7 083	10 772	14 784	9 478	10 857	9 254	9 254
Liabilities to Related Parties	3 822	1 634	2 366	566	7 166	817	817
Account Payables	61 433	71 752	87 440	92 053	80 816	86 867	86 867
Tax Liabilities	4 408	6 023	6 368	5 949	6 478	6 614	6 614
Liabilities to Employees & Soc. Sec.	6 731	7 514	8 894	10 093	10 242	10 959	10 959
Other Current Liabilities	5 282	5 641	4 858	5 142	10 506	5 343	5 343
Current Liabilities	297 402	320 696	315 495	314 156	313 751	297 775	297 775
Long Term Bank Loans	55 992	45 820	38 876	25 924	30 755	23 829	23 829
Deferred Taxes	4 695	5 728	7 952	11 752	9 266	11 676	11 676
Liabilities to Employees on Retirement	3 557	3 786	4 199	4 539	4 213	4 539	4 539
Financial Leases	2 382	2 103	1 957	2 582	1 777	2 273	2 273
Other Long Term Liabilities	5 663	7 593	9 508	9 045	9 115	8 824	8 824
Non-Current Liabilities	72 289	65 030	62 492	53 842	55 126	51 141	51 141
Total Liabilities	369 691	385 726	377 987	367 998	368 877	348 916	348 916
Shareholders' Equity & Liabilities	783 963	817 363	835 627	859 221	825 246	858 353	858 353

Source: Company IFRS Financial Statements Audited

KEY FINANCIAL AND PERFORMANCE INDICATORS

STANDALONE BASIS	2013	2014	2015	2016	TTM	2017F	2018F
VALUATION							
PRICE/EARNINGS (P/E)	14.85	14.33	13.15	13.72	15.30	16.15	14.19
PRICE/BOOK (P/B)	1.33	0.96	0.78	1.12	1.22	1.20	1.13
PRICE/SALES (P/S)	2.29	1.95	1.94	3.16	3.44	3.09	2.91
EV (IN 000' BGN)	637 786	524 165	440 319	593 291	649 559	648 020	637 252
EV/EBITDA	11.16	12.59	11.10	14.74	16.14	13.30	12.63
PROFITABILITY							
RETURN ON COMMON EQUITY, (%)	9.04%	6.71%	5.87%	8.16%	8.02%	7.43%	7.99%
RETURN ON ASSETS, (%)	6.11%	4.77%	4.44%	6.64%	6.60%	6.14%	6.80%
EBITDA MARGIN, (%)	26.45%	20.67%	22.83%	24.57%	23.83%	25.85%	25.27%
OPERATING MARGIN, (%)	21.03%	12.24%	14.46%	16.07%	15.50%	19.05%	18.97%
NET INCOME MARGIN, (%)	15.52%	13.55%	14.59%	23.05%	22.54%	19.10%	20.51%
DIVIDEND							
DIVIDEND YIELD, (%)	1.80%	0.00%	2.69%	2.50%		1.56%	1.56%
DIVIDEND PER SHARE	0.07	0.00	0.07	0.10		0.07	0.07
LIQUIDITY							
CURRENT RATIO	1.58	1.68	1.82	2.38	2.56	2.44	2.80
QUICK RATIO	1.10	1.09	1.09	1.44	1.52	1.48	1.72
CREDIT							
LT DEBT/EQUITY, (%)	13.14%	9.34%	7.14%	5.15%	4.64%	4.67%	3.51%
TOTAL DEBT/EQUITY, (%)	40.83%	33.49%	24.83%	17.14%	14.87%	14.79%	12.08%
TOTAL DEBT/TOTAL ASSETS, (%)	27.57%	23.81%	18.78%	13.94%	12.24%	12.21%	10.27%
EBIT/INTEREST EXPENSE	7.94	5.68	7.13	12.75	14.38	17.91	19.12

CONSOLIDATED BASIS	2013	2014	2015	2016	TTM
VALUATION					
PRICE/EARNINGS (P/E)	16.83	19.43	16.29	10.24	10.59
PRICE/BOOK (P/B)	1.19	0.91	0.76	1.06	1.19
PRICE/SALES (P/S)	0.65	0.47	0.40	0.59	0.67
EV (IN 000' BGN)	739 145	639 207	568 230	722 052	792 380
EV/EBITDA	9.34	9.42	9.05	9.80	9.89
PROFITABILITY					
RETURN ON COMMON EQUITY, (%)	7.09%	4.67%	4.66%	10.31%	11.23%
RETURN ON ASSETS, (%)	3.75%	2.47%	2.55%	5.89%	6.66%
EBITDA MARGIN, (%)	10.40%	8.07%	7.17%	8.40%	8.89%
OPERATING MARGIN, (%)	7.34%	4.76%	4.16%	5.13%	5.66%
NET INCOME MARGIN, (%)	3.86%	2.40%	2.44%	5.77%	6.35%
DIVIDEND					
DIVIDEND YIELD, (%)	1.80%	0.00%	2.69%	2.50%	
DIVIDEND PER SHARE	0.07	0	0.07	0.10	
LIQUIDITY					
CURRENT RATIO	1.34	1.33	1.38	1.41	1.48
QUICK RATIO	0.83	0.77	0.81	0.81	0.87
CREDIT					
LT DEBT/EQUITY, (%)	13.52%	10.62%	8.49%	5.28%	4.68%
TOTAL DEBT/EQUITY, (%)	65.59%	63.47%	53.41%	46.06%	41.42%
TOTAL DEBT/TOTAL ASSETS, (%)	34.66%	33.52%	29.25%	26.34%	24.58%
EBIT/INTEREST EXPENSE	6.37	4.38	3.95	4.44	5.15

Source: Company IFRS Financial Statements; Elana Trading estimates

SOPHARMA Overview

COMPANY PROFILE

Sopharma is one of the biggest Bulgarian groups of companies. It is a leading producer, exporter and distributor of pharmaceutical products with a strong presence in Eastern and South-Eastern Europe, offering a wide range of prescription medicines and OTC products.

The Group is vertically integrated and includes both production and distribution. It operates 13 pharmaceutical factories in Bulgaria, all in compliance with GMP (Good Manufacturing Practices), and one in Ukraine. It is also the owner of the leading healthcare product distributor in Bulgaria – Sopharma Trading (SO5 BU) and the majority shareholder in a leading distributor and owner of a large pharmacy chain in the Baltics and Belarus – Briz, Latvia.

Sopharma’s products portfolio consists of more than 210 products, mainly generics. It includes 15 original drugs, of which 12 are phyto-based. The original products, in particular Carsil and Tempalgin, are key contributors to the revenues from export markets. The most important products for domestic sales are generic pharmaceuticals with the leading painkiller drug Analgin.

FUNDAMENTAL STORY

Sopharma is a key player on the domestic pharmaceutical market: 2nd largest domestic pharma producer with 13% market share in unites sold. It is second in volumes and 6th in value in Bulgaria.

The Company’s main advantages are the compliance with EU standards and industry developments. In the last 5 years it underwent a large scale investment program in new facilities and modernization. Thus increased capacity to answer rising demand.

Generic products are likely to gain even larger market share as the Bulgarian government is focused on cost-containment measures.

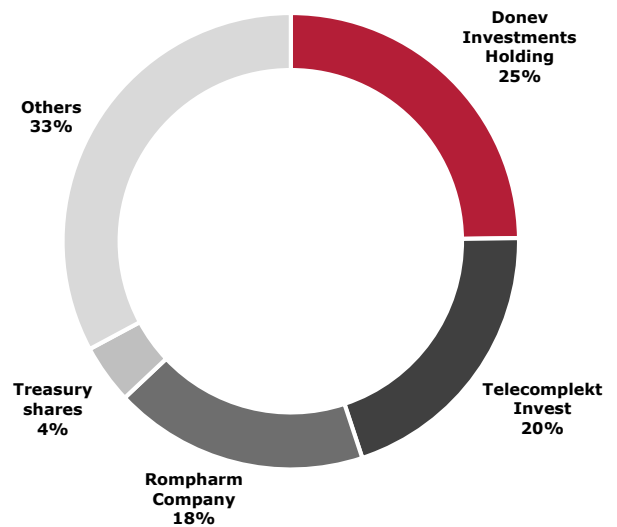
Original products are expected to add significantly to bottom line. Highest achievers are Tabex, Tribestan and Carsil. In order to answer the increasing demand from aging population, the Group has focused on therapeutic areas such as cardiology, gastroenterology, pain relief, neurology and psychiatry, and urology.

Key top line contributor in Bulgaria is the Group’s distribution arm – Sopharma Trading (SO5). It’s a market leader with 23% market share by offering a wide range of medical products and turnkey hospital solutions.

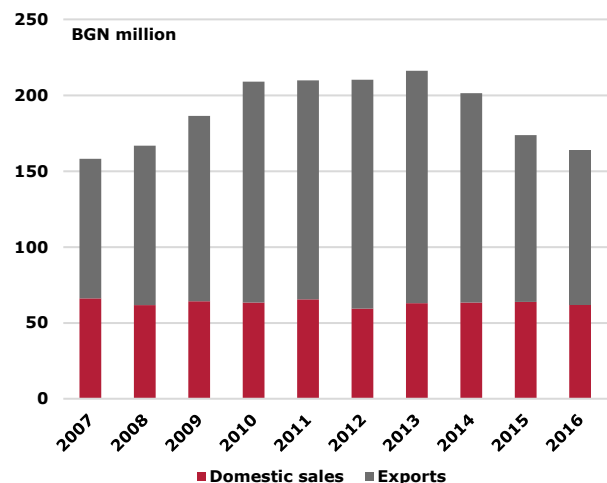
STRENGTHS & OPPORTUNITIES

- Good corporate governance
- Well diversified portfolio
- Wide distribution network in Bulgaria
- Strong domestic position

SHAREHOLDERS’ STRUCTURE



INDIVIDUAL SALES GROWTH



WEAKNESSES & THREATS

- Heavy exposure to Russia & Ukraine
- Strong rivalry among domestic players
- Weak financial performance of the Bulgarian hospitals due to state budget dependence and poor management

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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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Q2 2017 Recommendation Review			Market Maker Services
Recommendation	#	Share	
BUY	6	32%	SKK BU
HOLD	10	53%	
SELL	0	0%	
Under review	3	15%	

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For more information, please contact:

Research Analyst
Tatyana Vasileva

Phone:
+359 2 810 00 24

E-mail:
vasileva@elana.net

Internet:
www.elana.net