

**SPEEDY**  
**INDUSTRY: COURIER SERVICES**
**MARGINS IMPROVEMENT EVIDENT**

**FOLLOWING COMPLETION OF EXTENSIVE INVESTMENT PROGRAM, LEADING COURIER IN BULGARIA - SPEEDY, EMBARKS ON OPTIMIZING COSTS AND NEW ASSETS UTILIZATION. INITIAL EFFORTS TURN INTO BETTER MARGINS DESPITE DECELERATION IN TOP LINE GROWTH, YET PROFITABILITY TO FURTHER IMPROVE ON STRENGTHENED ROMANIAN OPERATIONS**

**TOP LINE GROWTH SLOWED DOWN ON HIGHER PRICES AND CUSTOMER CHANGES**

Revenues growth failed to deliver the traditional double digit growth in FY2017. Group sales went up only 7% y/y to BGN 151.3m, mainly on Bulgarian operations. Organic growth on the Bulgarian arm stood at 9% y/y, down from 15% in FY2016, on low summer season, client base restructuring and higher prices. The latter together with operational adjustments hampered growth in Romania, yet client reshuffling was fully offset with SME customers.

**IMPROVED OPERATIONAL EFFICIENCY**

In H2'17 Speedy improved its operational efficiency with the introduction of a new software system achieving a total of 4% cut in cost of materials for the year. Cost of external services grew slower than revenues - 3% y/y compared to double digit growth in previous years with only labor costs adding 13% y/y on economy wide labor cost pressure in both Bulgaria and Romania. Positive effects as 2016 investments kicked in with higher asset utilization, improved logistics and optimized transportation costs.

**PROFITABILITY MARGINS SLOWLY IMPROVING**

Profitability margins slowly improved on both asset utilization and cut-down on costs in FY2017. EBIT margin is up 58 bps y/y to 6.36%, net income margin increased 34 bps to 5.04%, close to our estimates. Overall, consolidated EBITDA margin added 97 bps to 13% on strong Bulgarian arm EBITDA margin improvement. The latter posted 18% EBITDA margin for three consecutive quarters in 2017, close to historical averages while Romanian arm still lagging behind. Management expects 18%-20% EBITDA margin in Bulgaria in 2019 while margins in Romania are to double, driven by e-commerce and B2B services in both countries.

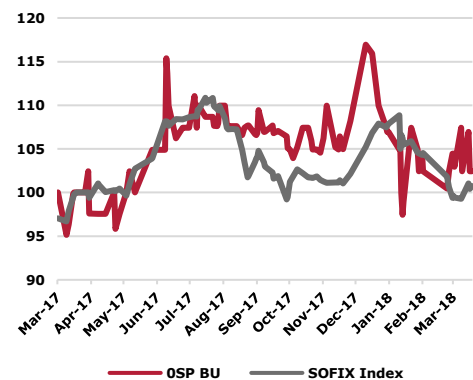
**CATCHING UP WITH COMPETITORS ON DIVERSIFIED SERVICES**

In FY2017, Speedy diversified its services, investing in its put-on network, the latter reaching 360-380 locations, thus matching main Bulgarian competitor Econt. It further built on its parcel lockers services, which are yet to start efficient utilization, expanded its Speedy Post and Speedy Balkan services. International outbound services in Romania expected to accelerate, which coupled with projected 12-18% growth in B2B and above 25% growth in e-commerce in Romania in 2018, is to bring Romanian arm to a solid 3<sup>rd</sup> place, outperforming its closest competitor Nemo Express in the next 2-3 years.

**VALUATION:** Based on Speedy's FY2017 results we twitch upward our top line and margin estimates. These result in an insignificant change in our previous target price. Thus, we keep our price target and BUY recommendation. **RISKS:** Further drop in top line growth on aggressive competition and potential economic slowdown.

**RESULTS ANALYSIS**
**RECOMMENDATION: BUY**
**PREVIOUS RECOMMENDATION: BUY**
**ONE YEAR PRICE TARGET: BGN 48.85**
**CURRENT PRICE: BGN 41.00**
**EXCHANGE RATES**
**EUR/BGN (FIXED): 1.95583**
**USD/BGN: 1.58714**
**MARKET DATA**

Shares Outstanding:	<b>5.34 m</b>
Share Capital:	<b>5.34 m</b>
Free-float:	<b>10.1%</b>
Treasury Shares	<b>0%</b>
Market Cap.:	<b>BGN 231m</b>
52 Weeks Range:	<b>BGN 38.08 – 46.80</b>
BSE Ticker	<b>OSP</b>
Bloomberg Ticker	<b>OSP BU</b>

**PRICE PERFORMANCE**


Source: Bloomberg

in kBGN, excl. ratios	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
REVENUES	32 752	35 538	35 757	43 916	38 180	39 001	38 524	42 941
<i>GROWTH Y/Y</i>	<i>16.43%</i>	<i>20.93%</i>	<i>14.29%</i>	<i>29.71%</i>	<i>16.57%</i>	<i>9.74%</i>	<i>7.74%</i>	<i>-2.22%</i>
EBITDA	4 884	4 975	4 271	3 765	3 755	5 350	5 926	5 682
EBIT	2 166	2 167	1 236	2 982	1 173	2 706	3 242	2 970
NET PROFIT	1 563	1 562	748	3 078	855	2 152	2 584	2 398
EQUITY	45 733	41 197	42 047	44 729	45 566	41 689	44 263	46 627
ROE (TTM)	18.88%	17.70%	13.45%	15.97%	14.24%	15.87%	19.86%	17.92%
ROA (TTM)	10.12%	9.10%	6.80%	7.98%	7.03%	7.51%	9.57%	8.72%
EBITDA MARGIN	14.91%	14.00%	11.94%	8.57%	9.83%	13.72%	15.38%	13.23%
NET PROFIT MARGIN	4.77%	4.40%	2.09%	7.01%	2.24%	5.52%	6.71%	5.58%
EPS	0.29	0.29	0.14	0.58	0.16	0.40	0.48	0.45
DEBT/EQUITY	0.44	0.60	0.60	0.55	0.50	0.54	0.54	0.58
P/E	25.52	26.19	33.19	28.79	32.51	32.44	26.63	28.92
P/B	4.53	4.79	4.57	4.47	4.45	5.32	5.22	4.96
EV/EBITDA	10.68	9.97	10.80	11.89	12.94	13.68	12.90	11.66

**ANALYST'S COMMENTS**

Speedy's FY2017 profitability met expectations on cost optimization and price increases yet top line performance missed expectations with growth decelerating below traditional double digits on customer base reshuffle and new ERP system integration.

**Top line performance:** Turbulent changes in the customer base held back top line growth, especially in Romania, as Speedy discontinued its operations with major B2C client (10% of sales)- e-commerce company Emag, part of South African internet group Naspers, according to management explanations.

The latter step was taken due to deteriorating profitability margins from the client as well as customer service destruction. However, the negative effect was completely offset in Romania by expansion of target small and medium-sized customer base while in Bulgaria Speedy was able to raise prices which positively affected profitability albeit at a top line expense. Still, increased prices and new ERP system in Romania, in Q4'17, kept growth considerably lower.

Accordingly, consolidated revenues grew only 7% y/y to BGN 151.3m, lower than traditional double digit growth. Domestic revenues in Bulgaria added 9% y/y in FY2017 to BGN 102.8m while Romanian ones were approximately BGN 48.5m, marking a modest 4% y/y growth, much below its FY2016 c.40% y/y surge.

In FY2017, Speedy completed its large scale investment program as a result of which it invested BGN 11m, of which BGN 5.4m was allocated to Bulgarian arm's transport fleet, and the remainder was spent on the modernization of the Company's logistics network, mainly in Romania, as the expansion of the Bulgarian network was financed in 2016. The Company invested in a new ERP system in Romania, mirror-image of its Bulgarian system, which also affected operations, especially in Q4'17.

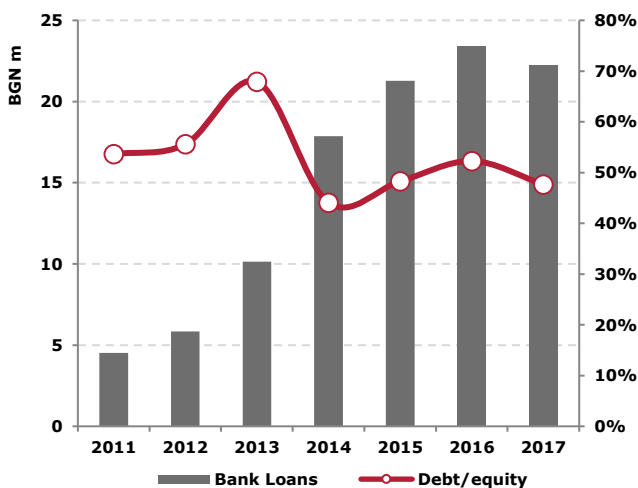
In 2017, Speedy Post and Speedy Balkans services were the fastest growing segments, yet from a low base. Speedy's core parcels business also kept its pace. International services accounted for 22% share of Romanian revenues, mainly generated by inbound services with great potential on outbound deliveries, and 8% share of Bulgarian revenues. Revenue growth decelerated in H2'17 as Speedy increased its prices in both markets. Additionally, the introduction of a new software system resulted in a further slowdown of Romanian purchases, dragging overall performance down.

The year saw a substantial expansion in Greece, following the opening of the first Greek office in end-2016. In 2017, Speedy was able to reestablish DPD's position on the Greek market, as a result of which Greek operations are expected to further add momentum to the overall performance in the years to come.

Major growth drivers continue to be B2B pallet delivery services and expanding B2C e-commerce segment, the latter expected to grow by 25% in next years on both markets, according to management expectations. Additionally, Speedy further developed its Bulgarian put-on network – points where customers can send/receive parcels, boosting its network to 360-380 locations, thus matching main competitor Econt.

Total delivered packages were up 5% y/y to 26.4 million in 2017.

**LEVERAGE UNDER CONTROL**



Source: Company data, Elana Trading estimates

Price per consignment was up for the first time in five years - from BGN 5.89 to BGN 6.0 per parcel, mainly on price increase rather than parcel's number growth. The latter forms part of Speedy's two-step strategy to increase the nominal value of prices as well as start pricing services it offered for free. Accordingly, we increase by an inch our top line estimates.

**Bottom line results:** Further down the line, the annual results conclude that Speedy was focused on efficiency throughout the year as well. The Company was able to cut down on costs of materials and external services, the latter decreasing 3.5% y/y to BGN 6.9m, and the former increasing by only 3% y/y to BGN 94.6m compared to double digit growths in previous years.

Accordingly, margins improved considerably, especially for the Bulgarian arm with the Romanian ones expected to show results at the start of 2018.

EBITDA increased in absolute terms by 15.7% y/y to BGN 20.7 m as Speedy is gradually cutting down on one-offs related to investments realized in 2016 and 2017. The overall group EBITDA margin came at 13.1% for FY2017, which is still below historical averages and slightly below our estimates. However, the Bulgarian arm alone delivered the impressive c.18% EBITDA margin for three consecutive quarters in 2017, averaging to 17.10% for the FY2017 which is close to Speedy's historical averages prior to the acquisition of the Romanian arm. Speedy's management expects the latter unconsolidated EBITDA margins to reach the 18%-20% historical average range in 2018.

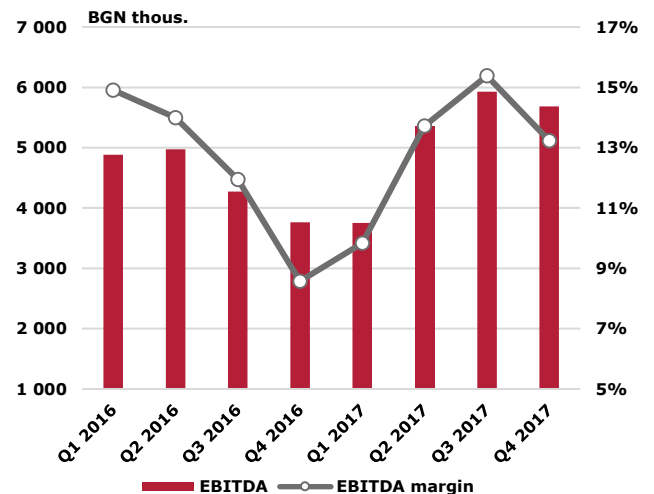
The lower profitability of the Romanian arm, on the other hand, is expected to increase substantially, doubling its EBITDA margin in 2018 on improved customer base, increased prices and capacity utilization as most investments in Romania have already been finalized. Currently, the Romanian arm is operationally profitable, but the final bottom line is still negative.

Nevertheless, the latter translates into improved consolidated EBIT and net income, up 18% y/y and 15% y/y to BGN 10m and BGN 8m, respectively in FY2017. EBIT and net income margins stood at 6.36% (up 58 bps y/y) and 5.04% (up 34 bps y/y), respectively.

Despite heavy investments in 2016 and 2017, Speedy's leverage stays at healthy level, with debt/equity ratio at 0.48 in 2017 (down from 0.52 in 2016). ROE and ROA increased considerably as well to 17.49% (up 184 bps y/y) and 8.58% (up 65 bps y/y), respectively. We expect both metrics to improve substantially starting as of 2018 on full utilization of new assets.

**Valuation revision:** Based on the 2017 performance we revise slightly upward 2018 top line growth, slightly downward part of the OPEX which results in a slight change in our bottom line expectations. The latter, however, delivers insignificant change in our previous valuation for the stock. Thus, we keep our price estimate and BUY recommendation unchanged.

**EBITDA MARGIN IMPROVING ON COST OPTIMIZATION**



Source: Company data

**ANNUAL FINANCIAL DATA**

<b>INCOME STATEMENT ('000 BGN)</b>	<b>2013A</b>	<b>2014A</b>	<b>2015A</b>	<b>2016A</b>	<b>2017</b>	<b>2018F</b>	<b>2019F</b>
<b>CORE REVENUES</b>	<b>62 807</b>	<b>76 465</b>	<b>115 814</b>	<b>140 980</b>	<b>151 314</b>	<b>174 011</b>	<b>195 762</b>
OTHER OPERATING INCOME	3 490	4 894	6 846	6 983	7 332	8 701	9 788
CHANGE IN INVENTORIES	0	0	0	0	0	0	0
COST OF MATERIALS	8 305	6 958	7 181	7 173	6 923	8 005	9 005
COST OF EXTERNAL SERVICES	21 348	37 634	67 949	92 142	94 602	108 757	121 373
COST OF LABOR	20 383	18 176	22 979	28 214	31 933	33 932	37 195
OTHER OPERATING EXPENSES	1 275	1 058	2 174	2 539	4 475	2 610	2 936
COGS	1 428	1 496	1 561	0	0	696	783
TOTAL OPERATING EXPENSES	55 915	70 344	111 312	139 412	148 555	154 000	171 292
<b>EBITDA</b>	<b>13 558</b>	<b>16 037</b>	<b>20 816</b>	<b>17 895</b>	<b>20 713</b>	<b>28 712</b>	<b>34 258</b>
DEPRECIATION AND AMORTIZATION	3 176	5 022	9 468	9 344	10 622	10 441	7 830
<b>EBIT</b>	<b>10 382</b>	<b>11 015</b>	<b>11 348</b>	<b>8 551</b>	<b>10 091</b>	<b>18 271</b>	<b>26 428</b>
FINANCIAL REVENUE	334	343	341	2	250	348	392
FINANCIAL EXPENSE	849	732	1 282	850	1 259	1 914	1 762
INTEREST EXPENSE	401	526	781	848	660	457	352
<b>EBT</b>	<b>9 867</b>	<b>10 626</b>	<b>10 407</b>	<b>7 703</b>	<b>9 082</b>	<b>16 705</b>	<b>25 058</b>
INCOME TAXES	1 040	1 035	1 132	752	1 093	2 010	3 016
<b>NET INCOME</b>	<b>8 827</b>	<b>9 591</b>	<b>9 275</b>	<b>6 951</b>	<b>7 989</b>	<b>14 695</b>	<b>22 042</b>

<b>BALANCE SHEET ('000 BGN)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018F</b>	<b>2019F</b>
<b>CASH AND NEAR CASH ITEMS</b>	<b>8 714</b>	<b>11 043</b>	<b>9 092</b>	<b>11 067</b>	<b>13 528</b>	<b>21 550</b>	<b>34 486</b>
SHORT-TERM INVESTMENTS	0	0	0	0	0	0	0
ACCOUNTS AND NOTES RECEIVABLE	11 892	23 591	25 170	20 917	19 996	24 362	27 407
INVENTORIES	605	530	568	613	437	1 044	1 175
OTHER CURRENT ASSETS	549	466	747	2 484	4 776	1 392	1 566
<b>TOTAL CURRENT ASSETS</b>	<b>21 760</b>	<b>35 630</b>	<b>35 577</b>	<b>35 081</b>	<b>38 737</b>	<b>48 348</b>	<b>64 633</b>
LT INVESTMENTS AND LT RECEIVABLES	0	0	0	0	0	0	0
NET FIXED ASSETS	14 671	23 741	26 627	33 629	33 415	26 972	23 491
OTHER LONG-TERM ASSETS	784	19 246	21 628	22 846	22 545	22 621	23 491
<b>TOTAL LONG-TERM ASSETS</b>	<b>15 455</b>	<b>42 987</b>	<b>48 255</b>	<b>56 475</b>	<b>55 960</b>	<b>49 593</b>	<b>46 983</b>
<b>TOTAL ASSETS</b>	<b>37 215</b>	<b>78 617</b>	<b>83 832</b>	<b>91 556</b>	<b>94 697</b>	<b>97 941</b>	<b>111 616</b>
ACCOUNTS PAYABLE	6 142	14 371	12 747	17 773	15 432	20 011	22 513
SHORT-TERM BORROWINGS	2 884	5 067	8 199	7 563	8 628	6 090	2 936
OTHER SHORT-TERM LIABILITIES	6 000	5 081	5 699	3 881	8 834	6 960	7 830
<b>TOTAL CURRENT LIABILITIES</b>	<b>15 026</b>	<b>24 519</b>	<b>26 645</b>	<b>29 217</b>	<b>32 894</b>	<b>33 062</b>	<b>33 280</b>
LONG-TERM BORROWINGS	7 256	14 885	13 087	15 823	13 600	6 960	5 873
OTHER LONG-TERM LIABILITIES	0	0	0	1 787	1 576	1 740	1 958
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>7 256</b>	<b>14 885</b>	<b>13 087</b>	<b>17 610</b>	<b>15 176</b>	<b>8 701</b>	<b>7 830</b>
<b>TOTAL LIABILITIES</b>	<b>22 282</b>	<b>39 404</b>	<b>39 732</b>	<b>46 827</b>	<b>48 070</b>	<b>41 763</b>	<b>41 110</b>
TOTAL PREFERRED EQUITY	0	0	0	0	0	0	0
MINORITY INTEREST	0	0	0	0	0	0	0
SHARE CAPITAL & APIC	4 447	5 336	5 336	5 336	5 378	5 378	5 378
RETAINED EARNINGS & OTHER EQUITY	10 486	33 877	38 764	39 393	41 249	50 801	65 128
<b>TOTAL EQUITY</b>	<b>14 933</b>	<b>39 213</b>	<b>44 100</b>	<b>44 729</b>	<b>46 627</b>	<b>56 179</b>	<b>70 506</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>37 215</b>	<b>78 617</b>	<b>83 832</b>	<b>91 556</b>	<b>94 697</b>	<b>97 941</b>	<b>111 616</b>

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018F</b>	<b>2019F</b>
<b>NUMBER OF SHARES:</b>	4 446 600	5 335 919	5 335 919	5 335 919	5 377 619	5 377 619	5 377 619
<b>PRICE IN BGN - PERIOD END:</b>	22.00	32.50	36.50	38.60	43.30	41.00	41.00
<b>MARKET CAP IN BGN - PERIOD END:</b>	97 830	173 417	194 761	205 966	232 851	220 482	220 482

Source: Company financial statements, ELANA Trading forecasts

**FINANCIAL AND PERFORMANCE INDICATORS**

	2013	2014	2015	2016	2017	2018F	2019F
<b>VALUATION</b>							
PRICE/EARNINGS (P/E)	7.39	15.32	21.00	29.63	29.15	15.00	10.00
PRICE/BOOK (P/B)	6.55	4.28	4.42	4.60	4.99	3.92	3.13
PRICE/SALES (P/S)	1.56	2.27	1.68	1.46	1.54	1.27	1.13
EV (IN '000 BGN)	99 256	180 231	206 955	218 285	241 551	211 983	194 806
EV/EBITDA	7.32	11.24	9.94	12.20	11.66	7.38	5.69
<b>PROFITABILITY</b>							
RETURN ON COMMON EQUITY	69.35%	34.58%	21.92%	15.65%	17.49%	28.59%	34.80%
RETURN ON ASSETS	28.06%	16.47%	11.37%	7.93%	8.58%	15.26%	21.04%
RETURN ON INVESTED CAPITAL	56.31%	33.84%	28.62%	23.05%	25.31%	34.59%	38.95%
EBITDA MARGIN	20.45%	19.71%	16.97%	12.09%	13.06%	15.71%	16.67%
OPERATING MARGIN	21.59%	20.97%	17.97%	12.69%	6.36%	10.00%	12.86%
NET INCOME MARGIN	13.31%	11.79%	7.56%	4.70%	5.04%	8.04%	10.72%
<b>DIVIDEND</b>							
DIVIDEND YIELD	4.55%	3.23%	3.10%	2.93%	2.62%	2.80%	3.00%
DIVIDEND PER SHARE (BGN)	1.00	1.05	1.13	1.13	1.13	1.15	1.23
<b>LIQUIDITY</b>							
CURRENT RATIO	1.45	1.35	1.34	1.20	1.18	1.46	1.94
QUICK RATIO	1.37	1.31	1.29	1.09	1.02	1.39	1.86
<b>CREDIT</b>							
LT DEBT/EQUITY	0.49	0.32	0.30	0.35	0.29	0.12	0.08
TOTAL DEBT/EQUITY	0.68	0.44	0.48	0.52	0.48	0.23	0.12
TOTAL DEBT/TOTAL ASSETS	0.27	0.23	0.25	0.26	0.23	0.13	0.08

**QUARTERLY FINANCIAL DATA (UNAUDITED)**

<b>INCOME STATEMENT ('000 BGN)</b>	<b>Q1 2016</b>	<b>Q2 2016</b>	<b>Q3 2016</b>	<b>Q4 2016</b>	<b>Q1 2017</b>	<b>Q2 2017</b>	<b>Q3 2017</b>	<b>Q4 2017</b>
<b>CORE REVENUES</b>	<b>30 650</b>	<b>33 033</b>	<b>34 094</b>	<b>40 086</b>	<b>36 280</b>	<b>37 307</b>	<b>36 780</b>	<b>40 947</b>
OTHER OPERATING INCOME	2 102	2 505	1 663	2 434	1 900	1 694	1 744	1 994
CHANGE IN INVENTORIES	0	0	0	0	0	0	0	0
COST OF MATERIALS	1 717	1 680	1 641	2 116	1 743	1 652	1 677	1 851
COST OF EXTERNAL SERVICES	19 132	21 066	22 009	25 972	23 953	23 531	22 240	24 878
COST OF LABOR	6 128	6 696	7 341	8 112	7 534	7 658	7 733	9 008
OTHER OPERATING EXPENSES	564	565	717	712	1 195	810	948	1 522
BOOK VALUE OF ASSETS SOLD	327	556	-222	90	0	0	0	0
TOTAL OPERATING EXPENSES	30 586	33 371	34 521	40 097	37 007	36 295	35 282	39 971
<b>EBITDA</b>	<b>4 884</b>	<b>4 975</b>	<b>4 271</b>	<b>5 518</b>	<b>3 755</b>	<b>5 350</b>	<b>5 926</b>	<b>5 682</b>
DEPRECIATION AND AMORTIZATION	2 718	2 808	3 035	3 095	2 582	2 644	2 684	2 712
<b>EBIT</b>	<b>2 166</b>	<b>2 167</b>	<b>1 236</b>	<b>2 423</b>	<b>1 173</b>	<b>2 706</b>	<b>3 242</b>	<b>2 970</b>
FINANCIAL REVENUE	124	144	36	-203	33	33	147	37
FINANCIAL EXPENSE	509	524	326	398	223	324	488	224
INTEREST EXPENSE	263	263	65	156	130	199	183	148
<b>EBT</b>	<b>1 781</b>	<b>1 787</b>	<b>946</b>	<b>1 822</b>	<b>983</b>	<b>2 415</b>	<b>2 901</b>	<b>2 783</b>
INCOME TAXES	218	225	198	109	128	263	317	385
<b>NET INCOME</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>BALANCE SHEET ('000 BGN)</b>	<b>Q1 2016</b>	<b>Q2 2016</b>	<b>Q3 2016</b>	<b>Q4 2016</b>	<b>Q1 2017</b>	<b>Q2 2017</b>	<b>Q3 2017</b>	<b>Q4 2017</b>
<b>ASSETS</b>								
CASH & NEAR CASH ITEMS	10 565	15 124	12 605	11 067	10 330	10 940	11 797	13 528
ACCOUNTS & NOTES RECEIVABLE	22 818	20 630	20 968	23 401	22 475	23 654	21 026	24 772
INVENTORIES	388	1 214	587	613	535	533	376	437
OTHER CURRENT ASSETS	743	683	694	0	0	0	0	0
<b>TOTAL CURRENT ASSETS</b>	<b>34 514</b>	<b>37 651</b>	<b>34 854</b>	<b>35 081</b>	<b>33 340</b>	<b>35 127</b>	<b>33 199</b>	<b>38 737</b>
LONG-TERM INVESTMENTS AND LONG-TERM RECEIVABLES	0	0	0	208	201	212	201	213
NET FIXED ASSETS	26 313	32 758	33 854	33 629	33 771	35 242	33 822	33 415
OTHER LONG-TERM ASSETS	21 318	20 943	20 680	22 638	22 439	22 114	22 138	22 332
TOTAL LONG-TERM ASSETS	47 631	53 701	54 534	56 475	56 411	57 568	56 161	55 960
<b>TOTAL ASSETS</b>	<b>82 145</b>	<b>91 352</b>	<b>89 388</b>	<b>91 556</b>	<b>89 751</b>	<b>92 695</b>	<b>89 360</b>	<b>94 697</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>								
ACCOUNTS PAYABLE	12 089	12 404	15 883	16 103	14 981	13 066	12 411	15 432
SHORT-TERM BORROWINGS	6 471	7 381	7 578	8 928	7 730	7 757	8 565	8 628
OTHER SHORT-TERM LIABILITIES	4 251	12 897	6 343	4 186	4 913	13 651	7 343	8 834
<b>TOTAL CURRENT LIABILITIES</b>	<b>22 811</b>	<b>32 682</b>	<b>29 804</b>	<b>29 217</b>	<b>27 624</b>	<b>34 474</b>	<b>28 319</b>	<b>32 894</b>
LONG-TERM BORROWINGS	13 601	17 473	17 537	15 823	14 849	14 895	15 274	13 600
OTHER LONG-TERM LIABILITIES	0	0	0	1 787	1 712	1 637	1 504	1 576
TOTAL LONG-TERM LIABILITIES	13 601	17 473	17 537	17 610	16 561	16 532	16 778	15 176
<b>TOTAL LIABILITIES</b>	<b>36 412</b>	<b>50 155</b>	<b>47 341</b>	<b>46 827</b>	<b>44 185</b>	<b>51 006</b>	<b>45 097</b>	<b>48 070</b>
<b>TOTAL EQUITY</b>	<b>45 733</b>	<b>41 197</b>	<b>42 047</b>	<b>44 729</b>	<b>45 566</b>	<b>41 689</b>	<b>44 263</b>	<b>46 627</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>82 145</b>	<b>91 352</b>	<b>89 388</b>	<b>91 556</b>	<b>89 751</b>	<b>92 695</b>	<b>89 360</b>	<b>94 697</b>

### SPEEDY Overview

<b>Ticker</b>	OSP	<b>Recommendation</b>	BUY	<b>Outstanding Shares</b>	5.34 m
<b>Bloomberg ticker</b>	OSP BU	<b>Last review</b>	13 <sup>th</sup> April 2018	<b>Free Float</b>	10.1%
<b>Current Price</b>	BGN 41.00	<b>1Y Target Price</b>	BGN 48.85	<b>Avr. Daily Volume</b>	BGN 18,000

### 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 double digit growing e-commerce industry has shifted Speedy's service mix from predominant B2B to predominant B2C. Yet, B2B continues to contribute major part of the Company's top line.

In 2014, Europe's 2<sup>nd</sup> largest land courier service provider GeoPost SA, part of the French La Poste Group, acquired 25% in Speedy at a 8x EV/EBITDA with the option to increase its stake to 70% by 2020. Reversely, Speedy acquired GeoPosts's subsidiaries in Bulgaria 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. Heavy investments in Bulgarian and newly acquired Romanian arm ate up part of the Company's profitability over the last three years, averaging ROE to 18%. However, the latter has started to improve and is expected to continue to do so from 2018 onwards. The Bulgarian arm is already close to historical averages while the Romanian one is yet to gain pace in terms of profitability.

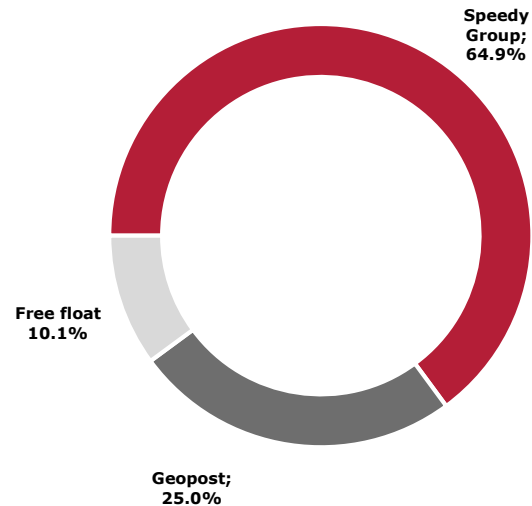
The Company adapts fast to market opportunities with innovative products offering both B2B logistics outsourcing services for supply-chain-optimization and B2C delivery services via a wide range of small pickup points all over the country. It also provides door to door deliveries and convenient postal/parcel services with a network of Automated Postal Stations in big retail centers, supermarkets, gas stations, etc.

By joining forces with GeoPost and its DPD network, Speedy is developing its regional expansion goal. It started with Romania - a 3x larger but more fragmented market than Bulgaria. In 2017, it expanded to Greece and offers land deliveries via the DPD network in Europe.

### STRENGTHS & OPPORTUNITIES

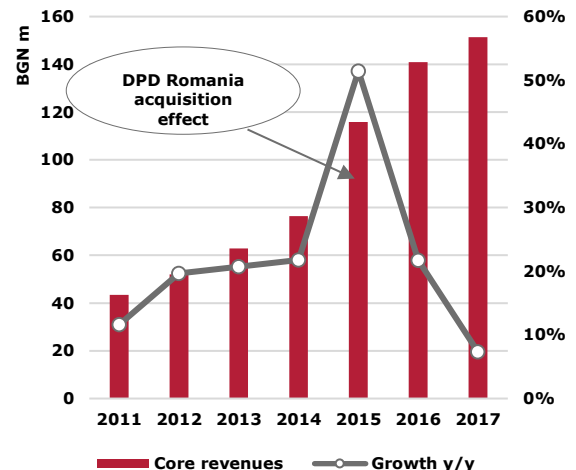
- Good corporate governance
- Clear dividend policy
- Solid market position in Bulgaria
- Integrated product range
- High growth potential with booming e-commerce
- Excellent brand recognition

### SHAREHOLDERS' STRUCTURE



Source: Company data;

### DOUBLE DIGIT GROWTH TO CONTINUE



Source: Company data; Elana Trading estimates

### WEAKNESSES & THREATS

- Low free float
- Price competition from other courier players

## Disclaimer

**Regulatory Restrictions:** No publication of ELANA Trading should be construed as an offer (or solicitation of an offer) to **U.S. persons** to buy or sell financial instruments or any financial product, make any investment or participate in any particular trading strategy (collectively "Offers"). No Publication of ELANA Trading should be construed as an Offer (or solicitation of an offer) in any jurisdiction in which such Offer would be illegal. Any such perceived Offer will not be honoured by ELANA Trading.

**Analyst Certification:** The research analyst(s) certifies that: (1) all of the views expressed in this document accurately reflect his or her personal views about any and all of the subject securities or issuers; (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this document.

**Financial Interest:** ELANA trading does and seeks to do business with companies covered in its research reports. This may and includes investment banking services for which ELANA Trading shall be remunerated. ELANA Trading may trade or own shares of the analyzed companies. The research analyst, author of this report, is not in possession of significant financial interest in Speedy in accordance with Art. 17 of the Law on Measures against Market Abuse with Financial Instruments. As a result, investors should be aware that ELANA trading may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

**Regulatory Authority:** Financial Supervisory Commission, *Budapest Street 16, 1000 Sofia, Bulgaria*

**Information Disclosure:** All reasonable care has been taken to ensure the facts stated are accurate and opinions given are fair and reasonable. Our recommendations are based on information available to the public that we consider to be reliable but for the completeness and accuracy of which we assume no liability. Neither ELANA Trading, nor its directors, officers or employees shall in any way be responsible for its contents. The views expressed may differ from the views of other firm departments or representatives. Additional information is available upon request. Unless otherwise noted, sources for all information in charts and tables are ELANA Trading's calculations.

**Risks for Investors:** Information in this document should not be regarded as an offer to buy or sell any financial instruments. The investment possibilities discussed in this document may not be suitable for certain investors depending on their specific investment objectives and time horizon or in the context of their overall financial situation. In particular, the risks associated with an investment in the securities or the financial instruments under discussion are not explained in its entirety.

The prices or values of the securities may go down as well as up and can fluctuate and fall against the investor. The securities or investments may cause the investor to lose the amount invested. Past performance is not a guide to future performance. Changes in exchange rates may have an adverse effect on the value, price or income of the securities or investments.

**Valuation Methods:** Company valuations are based on the following methods: multiple-based (P/E, P/B, EV/EBITDA), historical valuation approaches, peer comparisons, discount models (DCF, DDM) or asset-based evaluation methods. Valuation models are dependent on macroeconomic factors, including interest rates, foreign exchange rates, prices of raw materials, and any expectations about the economy, the market sentiment. The valuation is based on expectations that might change rapidly and without notice, depending on developments specific to individual industries and countries. Recommendations and target prices derived from the models might therefore change accordingly. The application of models depends on forecasts of a range of economic variables, thus there is a range of reasonable variations within models. Any valuation is dependent upon inputs that are based on the subjective opinion of the analysts carrying out this valuation.

**Recommendations:** Analyst(s) recommendations are based on the specific factors for the company, sector, country and global developments, as compared to market indices. Recommendations and opinions reflect ELANA Trading's expectations over the 12-month period following publication from the perspective of long-only investment clients. ELANA Trading reserves the right to express different or contrary recommendations and opinions for different timescales or for other types of investment client. Except as otherwise noted, expected performance over next 12 months vary for different recommendations for Bulgarian stocks as follows:

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

**Frequency of Recommendations:** No schedule of recommendations is available. The frequency of recommendations depends on specific factors to individual companies and the opinion of the analyst(s) for the necessity of minor or major changes.

Q4 2017 Recommendation Review			Market Maker Services
Recommendation	#	Share	
BUY	5	31%	SKK BU; 4KX BU
HOLD	11	69%	
SELL	0	0%	

**Copyrights:** The copyrights of ELANA Trading analyses belong to the Research Department of the brokerage and their content cannot be used for commercial purposes. Replication and redistribution of ELANA Trading analyses content is expressly prohibited without the prior written consent of the appointed contacts listed below.

### For more information, please contact:

<b>Research Analyst</b>	<b>Phone:</b>	<b>E-mail:</b>	<b>Internet:</b>
<b>Natalie Ilcheva</b>	<b>+359 2 810 00 27</b>	<a href="mailto:ilcheva@elana.net">ilcheva@elana.net</a>	<a href="http://www.elana.net">www.elana.net</a>
<b>Research Team</b>	<b>+359 2 810 00 24</b>	<a href="mailto:research@elana.net">research@elana.net</a>	<a href="http://www.elana.net">www.elana.net</a>