

Market Overview

December brought a glimpse of hope and optimism on the Bulgarian stock exchange and all indices closed in green territory, but this was not enough to erase the losses since the beginning of the year. Thus all BSE indices finished 2015 with annual declines.

The outperformer among all indices on the Bulgarian Stock Exchange for the month of December was the blue-chip SOFIX which registered an increase of 5.82% m-o-m. Furthermore it was the leader not only on BSE but also among all indices in the CEE region. However the investors were not optimistic enough and SOFIX couldn't make up the losses since the beginning of 2015 and ended the year with loss of 11.72% YTD which is the first annual decline for the index since 2011. Only the shares of two companies from its composition registered gains for 2015. These were the shares of Holding Varna AD [5V2], which added more than 50% to their value for the year and the shares of Neochim AD [3NB] which price increased with more than 19% y-o-y in 2015. The appreciation of the stocks of the fertilizer plant was supported by the stellar performance of the company during the year, which was came as an effect of the significant reduction in the price of natural gas, which is the main operating cost.

The worst performers in the composition of SOFIX for 2015 proved to be the shares of Sopharma AD [3JR] which lost 29.38% of their value during the year. The sell-offs were triggered by the weak performance and results of the pharmaceutical company which suffered from decreased exports mainly to Russia and Ukraine.

The weakest performance among the indices on BSE for December was recorded by BGREIT which erased 2.22% m-o-m of its value. However, on annual basis BGREIT is the best performer for the year as it managed to curb the losses to 1.74% y-o-y.

The top 3 best-performing shares for December with a turnover over BGN 100 000 were the shares of Insurance Company Euroins AD [5IC] (+20.57%), FairPlay Properties REIT [6F3] (+15.21%) and Holding Sveta Sofia AD [4HS] (+12.77%). The shares of FairPlay Properties REIT fall into this Group for a second consecutive month after adding 27.69% to their value in November. Among the other stocks which recorded gains for the month were the shares of Monbat AD [5MB], which added 10.23% to their value in December, followed by the shares of Sopharma AD [3JR] which value increased by 9.60% m-o-m.

The group of fallers for December was led by the shares of TK-Hold AD [T24] which erased 7.14% of their value during the month, followed by the preferred shares of Chimimport AD [6C4P], which lost 6.25% m-o-m and the shares of Sofia Commerce pawnshops AD [6SOA] which saw a 5% decrease on their value in December.

Bulgarian Stock Exchange | Trends

	Value	Monthly change	Year-to-date
SOFIX	460.90	5.82%	-11.72%
BGBX 40*	92.82	5.51%	-11.27%
BG REIT	97.03	2.22%	-1.74%
BGTR 30	383.82	5.58%	-5.81%

BSE Turnover	BGN	EUR
Equities (BGN/EUR'000)	30 677.58	15 685.20
Bonds (BGN/EUR'000)	10 778.70	5 511.06
Other (BGN/EUR'000)	856.93	438.14
Total-Regulated market (BGN/EUR'000)	42 313.21	21 634.40
OTC market (BGN/EUR'000)	152 698.81	78 073.66
Market Cap (BGN/EUR'000 000)	7 321.63	3 743.49
Market Cap/GDP	8.8%	

SOFIX



P/E	P/B	EPS growth	Market Cap	Turnover
12.42	0.56	9.6%	2 418	4.353

Annual trailing EPS growth; Market cap and turnover in BGN'000 000

CEE and Global Markets

Country / Region	Index	Value	Monthly change	Year-to-date
Bulgaria	SOFIX	435.56	5.82%	-11.72%
Greece	ASE	634.82	-0.55%	-23.58%
Macedonia	MBI-10	1 766.59	3.77%	-0.59%
Poland	WIG20	1 925.72	-3.46%	-19.72%
Romania	BET	7 152.15	-2.07%	-1.11%
Russia	RTS	847.10	-10.63%	-4.26%
Slovakia	SAX	307.07	-4.79%	31.50%
Slovenia	SBITOP	693.72	0.35%	-11.22%
Serbia	BELEX15	618.26	4.18%	-3.44%
Turkey	ISE-100	75 232.79	-4.66%	-16.33%
Ukraine	PFTS	247.86	-2.89%	-37.79%
Hungary	BUX	23 768.60	0.64%	43.81%
Croatia	CROBEX	1 680.19	0.56%	-3.20%
Montenegro	NEX20	11 286.53	7.46%	6.80%
Czech Republic	PX	974.40	-1.85%	1.02%
Morgan Stanley	MSCI EE (€)	313.75	-10.25%	2.33%
USA	S&P 500	2 080.41	-1.75%	-0.73%
Germany	DAX	11 382.23	-5.62%	9.56%
Japan	NIKKEI	19 747.47	-3.61%	9.07%

Stara Planina Hold AD [5SR]

Sector: Conglomerates

Shares of Stara Planina Hold AD added 9.12% to their value in December and at the end of the month traded at BGN 3.95 per share. The purchases become particularly strong in the second half of the month after the annual letter of the Board of Directors to the shareholders of Stara Planina Hold AD was published. It pleased investors with news for the intention of the management to propose dividend distribution for 2015. Despite the good news and the appreciation of the stocks was not enough to compensate for the losses since the beginning of the year and the shares of the conglomerate finished 2015 with a loss of 8.14% y-o-y.

In the letter to the shareholders, the Board of Directors said that 2015 was a difficult year for the companies in the Group although preliminary data showed that the results have exceeded management's initial projections by 1.1%. Also they added that their expectations for the 2015 consolidated revenue of the conglomerate is to reach BGN 174 mln, which would be a decline of 4.1% on the year. Moreover consolidated earnings were expected to arrive at BGN 4.750 mln which would allow dividend distribution for the year. Furthermore, the management shared their 2016 forecasts according to which consolidated sales revenue of the Group is expected to achieve annual growth of 2.3% and to amount to BGN 178 mln.

The Board of Directors explained that despite the difficulties in 2015 the companies in the Group were able to make investments amounting to BGN 16.2 mln,

Shares outstanding, th.	20 729	P/E, ttm	12.29
Last share price* BGN	3.7	P/B, mrq	0.96
Market cap, BGN th.	77 526	P/S, ttm	0.44
Asset, BGN th.	184 110	ROA, ttm	7.53%
Debt/Equity	0.36	ROE, ttm	7.96%

* as of 12.01.2016

which came from internal financing and were directed towards projects for introduction of new products, increasing productivity and wages growth. Moreover they said that in 2016 the conglomerate would continue its investment program and investments are projected to reach BGN 17.8 mln. Their aims would be modernizing the production facilities and development of human resources. For 2016 headcount is expected to increase by 1.5% y-o-y while labor costs will inch up by 2.8% on the year.

Meanwhile at the end of the month Stara Planina Hold published its monthly bulletin which announced the November results and showed that the forecasts for the 2015 consolidated sales were revised upwards. November consolidated revenue of Stara Planina Hold AD [5SR] amounted to BGN 14.634 mln, down from BGN 14.888 mln a year earlier. Cumulative revenue for the first 11 months of 2015 decreased by 2.62% on the year, reaching BGN 164.588 mln, the monthly bulletin showed. The conglomerate expects consolidated revenue for 2015 to arrive at BGN 175.255 mln, which would be an annual decrease of 3.20%.

Monbat AD [5MB]

Sector: Machinery

Shares of Monbat AD finished 2015 with loss of 6.46% y-o-y despite the increase in December when they added 10.32% to their value. The purchases of the shares during the last month of the year were supported by the positive comments of the Chairman of the Board of Directors of Monbat AD – Mr. Atanas Bobokov in interview for Bloomberg Bulgaria TV as well as the results of the Group for the first 11 months of the year, announced in the December monthly bulletin of Monbat AD.

The monthly bulletin showed that consolidated earnings before taxes of the Group decreased by 7.60% on the year to BGN 24.311 mln for the first 11 months of 2015. However consolidated sales arrived at BGN 23.961 mln which is a tiny increase of 0.04% y-o-y. Consolidated EBITDA for the first 11 months of the year increased by an annual 4.50% to BGN 36.837 mln.

In his interview for Bloomberg Bulgaria TV the Chairman of the Board of Directors of Monbat AD – Mr. Bobokov made comments regarding the current results of the Group, explaining that the decrease in the earnings was due to the record low price of the lead during the second half of the year which impacted negatively the prices of the car batteries. However he said that they managed to increase the volume of the sales by 15% on the year and thus remains positive for 2015 financial results of the Group.

Shares outstanding, th.	39 000.0	P/E, ttm	12.17
Last share price* BGN	7.56	P/B, mrq	1.64
Market cap, BGN th.*	294 840	P/S, ttm	1.19
Asset, BGN th.	255 968	ROA, ttm	9.83%
Debt/Equity	0.44	ROE, ttm	13.84%

* as of 12.01.2016

He said that his expectations are for 10% to 15% annual increase of the earnings for 2015. Also he added that they have managed to diversify the markets on which they sell car batteries so that they can almost eliminate the seasonality of the sales. Currently he said that their major focus remain the markets in Europe, Middle East and North Africa and particularly France, Germany and Spain.

Mr. Bobokov shared some of the management's plans for 2016 by revealing that the Group plans to make investments at the amount of EUR 15 mln in the next 2 years as EUR 12 mln will be invested in 2016 in projects with fast returns. These investments will be directed towards implementation of projects for expansion of production capacity and for improvement of the recycling facilities in order to increase profits. He also said the plant for processing and recycling batteries in Serbia will not be closed and that the management is considering a potential share buyback in line with their expectations for significant increase in future earnings, which in Mr. Bobokov's opinion proves that at this point the shares of Monbat AD are undervalued.

Main Economic Indicators

	2012	2013	2014	2015
GDP, in BGN bn	80.0	80.3	82.2	62.7
GDP, real annual growth (%)	0.5	1.1	1.7	3.0
Inflation (%)	3	0.9	-1.4	-0.4
Jobless rate (%)	11.4	11.8	10.7	9.9
Fiscal balance, %GDP	-0.7	-0.9	-2.8	0.9
Gross public debt, %GDP	18	18.3	27.6	28.7
Gross external debt, %GDP	92.2	90.0	94.7	79.7
Current account, %GDP	-0.3	1.9	0.9	2.5
FDI, %GDP	3.2	3.4	3.1	3.2
Prime interest rate (%)	0.03	0.04	0.01	0.01

For 2015 latest available official data is used. GDP data is for 9M'2015. Data for real GDP growth is for Q3'2015. Data for inflation and unemployment are for November 2015. Fiscal balance and Gross public debt data is for Q2'2015. Gross external debt, current account and FDI data is at end-October 2015. Data for the prime interest rate is for January 2016.

News of the Past Month | Economy and Politics

- International rating agency, Standard & Poor's (S&P) has affirmed the long-term and short-term foreign and local currency on Bulgaria at "BB+/B" with stable outlook, the Ministry of Finance announced in a statement to the media. The rating is supported by the low government debt and moderate external indebtedness.
- The World Bank expects economic growth of Bulgaria for 2015 to reach 2.9% and 2.2% in 2016. The Bank noted that the growth for 2015 will be higher than expected due to the strong export to the EU during the first half of the year, recovery of investments – mainly public, which are supported by the grant proceeds under the EU programs and due to the good performance of the labor market.
- The revenue under the Consolidated Fiscal Program (CFP) for 2015 is expected to arrive at BGN 32.263 bn, which will be an increase of 9.7% y-o-y and 37.5% of the forecasted GDP for 2015, the Ministry of Finance announced in a statement to the public. The increase will be mainly due to higher tax and non-tax revenues and reimbursed funds by the European Commission. Meanwhile the expenditures under the CFP for 2015 are expected to increase by 6.4% on the year to BGN 34.550 bn, resulting in a deficit under the Consolidated Fiscal Program on a cash basis for 2015 of around BGN 2.287 bn or 2.66% of projected GDP. For comparison the CFP deficit for 2014 was BGN 3.073 bn or 3.7% of GDP.
- Bulgaria's current account was positive and amounted to EUR 1.064 bn (2.5% of GDP) for the first 10 months of 2015 vs surplus of EUR 934.6 mln (2.2% of GDP) a year earlier, preliminary data by BNB showed. The trade balance for January – October was negative at EUR 1.378 bn (3.2% of GDP).

News of the Past Month | Corporate Sector

- December revenue of Sopharma AD [3JR] inched up by 8% y-o-y mainly due to a 32% annual increase in exports and a 16% decline on the year in domestic sales, the monthly bulletin of the drug producer showed. The significant growth of the export is mainly due to a 45% increase on the year in the sales on the Russian market. The management expects a substantial annual increase in revenues for January 2016 due to weak results for January 2015. According to preliminary data, revenue for 2015 shrank by 14% on the year as exports fell by 20% y-o-y and domestic sales inched by 0.3% y-o-y.
- November sales of Sopharma Trading AD [SO5] increased by 8.5% on the year to BGN 50.597 mln and EBT jumped by 23% y-o-y to BGN 1.286 mln. Cumulative revenue for the first 11 months of 2015 arrived at BGN 552.313 mln, registering an annual increase of 4.9%. Cumulative EBT rose by 14% on the year to BGN 13.744 mln.
- The land portfolio of Advance Terrafund REIT [6A6] decreased by 983 da in November, the monthly bulletin of the REIT showed. The fund bought 1 846 da agricultural land at an average acquiring price of BGN 874/da and sold 2 829 da agricultural land. Since the beginning of 2015 ATERA has sold 3 370 da agricultural land at an average selling price of BGN 1 400/da and has leased 2 400 da agricultural land at an average price of 1 600 per da. At the end of November the REIT owned 232 968 da agricultural land with an average cost price of BGN 451/da and 139 da urban land. The new agricultural year (2015 – 2016) has started in October and the expected rental revenue for the year is BGN 7.440 mln with 49.5% of it already collected.
- Yuri Gagarin AD [4PX] secured a loan with CB First Investment Bank [5F4] at the amount of BGN 10 mln, the company announced in a statement. The funds will be used to finance the purchase of 7 used technological lines for production of mono acetate and combined cigarette filters. The investment is in line with the increased demand for these types of cigarette filters and the persistent trend for continuous increase in the volume of the orders and exports, as well as the need to increase the production capacity of filter equipment.
- At a General Meeting held on 28.12.2015 the shareholders of Eurohold Bulgaria [4EH] approved the proposal of the majority shareholder Eurohold-Starcom Holding for issuing bonds at the amount of up to EUR 100 mln. The maturity will be between 24 and 60 months and the interest rate will be annual somewhere between 8% - 13%. The Board of Directors will make the decision regarding the final parameters of the bonds. The loan will be secured by 67% of the shares of Euroins Insurance Group (EIG), which is the parent company of Euroins [5IC]. The funds will be used to finance investments in subsidiaries and the acquisition of the Greek insurer Credit Agricole Life. Meanwhile Euroins Insurance Group increased its share capital with EUR 100 mln as EUR 82.14 were subscribed and paid by Eurohold Bulgaria. If the remaining shares are not paid in time by the other shareholder Bazildon Holding, Eurohold Bulgaria will subscribe them.

Company	Ticker	Sector	Market Cap (BGN'000)	Price end of month	Monthly change	YTD change	Turnover (BGN'000)	P/E	P/B	P/S	EV/ EBITDA	EV/ Sales
Advance Terrafund REIT	6A6	REITs	176 178	2.07	2.4% ▲	-15.2% ▼	325.15	10.7	0.9	7.5	9.9	6.8
Agria Group Holding AD	A72	agribusiness	71 400	10.50	5.5% ▲	23.5% ▲	258.07	4.7	0.9	0.5	7.5	1.2
Albena Invest Holding AD	5ALB	conglomerates	34 920	6.35	3.3% ▲	-2.3% ▼	12.42	neg.	0.4	5.7	32.1	5.3
Aroma AD	6AR	consumer goods	16 541	4.40	311.2% ▲	411.0% ▲	0.33	8.6	0.7	0.6	5.2	0.8
Billboard AD	5BP	b2b services	8 475	0.57	10.8% ▲	-25.2% ▼	21.08	neg.	0.4	0.3	-76.7	0.3
Biovet JSC	53B	chemicals	77 991	11.50	6.5% ▲	0.4% ▲	28.68	7.0	0.7	0.4	4.6	0.6
Bulgarian Real Estate Fund REIT	5BU	REITs	31 374	0.52	7.5% ▲	-3.9% ▼	119.44	neg.	0.4	6.8	-8.7	6.2
Bulgarian Stock Exchange	BSO	fin.services	14 160	2.15	5.9% ▲	-40.3% ▼	174.21	neg.	1.4	7.9	-32.3	7.3
Bulgartabac Holding AD	57B	conglomerates	477 750	64.85	4.6% ▲	41.3% ▲	595.20	7.4	1.2	0.9	6.0	1.0
Bulland Investments REIT	5BD	REITs	12 341	0.95	5.3% ▲	-7.0% ▼	2.70	18.2	0.8	-	-24.8	-
CB Central Cooperative Bank AD	4CF	banks	114 399	1.01	-2.9% ▼	-8.0% ▼	54.20	19.2	0.3	-	-	-
CB First Investment Bank AD	5F4	banks	237 710	2.16	5.4% ▲	-22.8% ▼	186.29	13.8	0.3	-	-	-
CEZ Distribution Bulgaria AD	3CZ	utilities	242 928	126.00	4.6% ▲	-11.3% ▼	25.93	17.2	0.4	0.7	2.9	0.6
Chimimport AD	6C4	conglomerates	197 685	1.37	1.5% ▲	-20.7% ▼	469.05	4	0.1	0.3	-8.2	1.6
Doverie United Holding PLC	5DOV	conglomerates	13 527	0.72	-8.6% ▼	-27.1% ▼	8.33	neg.	0.2	0.1	73.2	0.5
EMKA AD	57E	industrials	38 711	1.80	0.0% -	-4.3% ▼	58.65	11.4	1.1	0.5	5.6	0.4
Eurohold Bulgaria AD	4EH	conglomerates	91 679	0.72	-1.8% ▼	-25.5% ▼	141.94	neg.	0.5	0.1	-91.6	0.3
FairPlay Properties REIT	6F3	REITs	18 534	0.77	15.2% ▲	49.7% ▲	225.85	neg	0.5	3.5	137.3	5.5
Holding Varna AD	5V2	conglomerates	127 732	24.40	6.1% ▲	50.8% ▲	1 962.98	neg.	0.8	2.2	23.3	5.2
Hydraulic Elements and Systems AD	4HE	machinery	57 111	3.14	4.6% ▲	-0.3% ▼	31.11	15.1	1.8	1.4	7.1	1.2
Industrial Capital Holding AD	4I8	conglomerates	50 855	3.27	2.3% ▲	-14.1% ▼	45.49	19.8	1.2	0.3	1.4	0.2
Industrial Holding Bulgaria PLC	4ID	conglomerates	70 490	0.92	8.6% ▲	-20.0% ▼	27.62	7.5	0.3	0.6	7.9	1.9
Insurance Company Euro Ins	5IC	insurance	14 329	1.05	20.6% ▲	-4.5% ▼	907.22	0.1	-	-	0.9	0.9
M+S Hydraulic AD	5MH	machinery	199 119	5.10	3.9% ▲	-2.1% ▼	92.83	19.2	3.1	2.3	10.4	2.1
Monbat AD	5MB	machinery	311 922	8.00	10.3% ▲	-6.5% ▼	398.77	11.7	1.6	1.1	8.4	1.3
Neochim AD	3NB	chemicals	119 990	46.40	6.7% ▲	19.2% ▲	26.49	76.8	1.3	0.4	13.2	0.4
Odessos Shiprepair Yard AD	5ODE	shipbuilding	55 747	94.97	18.7% ▲	40.1% ▲	32.88	9.9	0.9	1.9	13.0	1.9
Oil and Gas Exploration and Product	4O1	industrials	102 410	8.38	3.5% ▲	-12.6% ▼	36.73	39.3	1.0	3.1	18.6	3.1
Petrol AD	5PET	oil retailer	67 735	0.63	1.6% ▲	-73.6% ▼	1.33	-	-	-	-	-
Sopharma AD	3JR	pharmaceuticals	354 456	2.74	9.6% ▲	-29.4% ▼	174.68	13.5	0.8	0.4	8.8	0.6
Sopharma Properties REIT	6S6	REITs	80 559	4.45	5.4% ▲	30.0% ▲	26.36	48.8	1.9	8.0	15.4	11.5
Sopharma Trading AD	SO5	pharma trading	176 042	5.35	0.9% ▲	-3.6% ▼	126.08	14.1	2.7	0.3	16.5	0.5
Sparky Eltos AD	SL9	machinery	16 066	0.96	1.4% ▲	6.7% ▲	6.21	neg.	0.3	0.4	-21.8	1.3
Speedy AD	OSP	courier services	208 104	39.00	6.8% ▲	30.9% ▲	73.76	19.1	4.9	1.8	10.1	1.9
Stara Planina Hold AD	5SR	conglomerates	81 880	3.95	9.1% ▲	-8.1% ▼	79.78	11.9	0.9	0.4	1.5	0.2
Svilosa AD	3MZ	cellulose	97 520	3.07	-2.8% ▼	9.3% ▲	39.75	5.8	1.1	0.9	4.9	1.1
Synergon Holding AD	6S7	conglomerates	22 582	1.23	11.8% ▲	2.5% ▲	70.26	neg.	0.1	0.1	7.7	0.3
Trace Group Hold AD	T57	infrastructure	137 497	5.71	-4.0% ▼	-8.4% ▼	114.33	11.9	1.4	0.4	6.7	0.4
Yuri Gagarin PLC	4PX	industrials	45 481	45.30	3.0% ▲	14.0% ▲	165.28	6.5	0.7	0.5	4.2	0.5
Zarneni Hrani Bulgaria AD	T43	commerce	72 394	0.37	-1.6% ▼	-26.0% ▼	33.41	25.3	0.3	0.5	22.5	1.1

Top 3 Gainers*

Change

Top 3 Losers*

Change

Insurance Company Euro Ins 5IC + 20.57%
FairPlay Properties REIT 6F3 + 15.21%
Holding Sveta Sofia 4HS + 12.77%

TK-Hold AD T24 -7.14%
Chimimport 6C4P -6.25%
Sofia Commerce Pond Shop 6SOA -5.00%

* Among all stocks with turnover of at least BGN 100 000 for the past month

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