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Industry Report

Manufacture of tobacco products 2016 BULGARIA

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I. KEY INDICATORS

- The Manufacture of tobacco products industry in Bulgaria was represented by 14 companies at the end of 2016, compared to 19 in the previous year and 19 in 2014.
- The industry's net loss amounted to BGN 285,000 in 2016.
- The industry's total revenue was BGN 772,683,000 in 2016, down by 12.68% compared to the previous year.
- The combined costs of the companies in the Manufacture of tobacco products industry reached BGN 770,394,000 in 2016, down by 10.08% year-on-year.
- The industry's total revenue makes up 0.83% to the country's Gross domestic product (GDP) in 2016, compared to 0.99% for 2015 and 1.07% in 2014.
- A total of 2,364 people were employed in the Manufacture of tobacco products industry in 2016, compared to 2,972 in 2015 and 3,140 in 2014.
- Most of the companies in the industry are based in Sofia, followed by Radinovo and Blagoevgrad.

II. INTRODUCTION

In 2016 the companies in the Manufacture of tobacco products industry numbered 14.

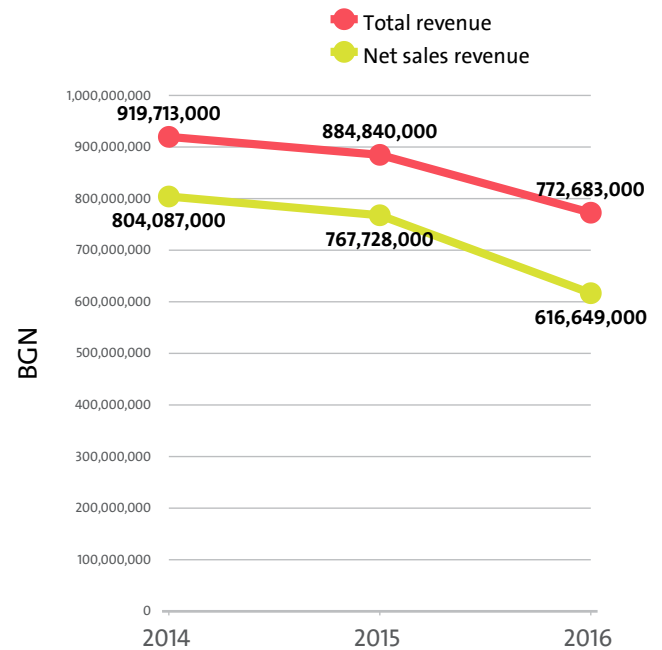
In 2015 there were a total of 19 companies operating in the industry. In 2014 their number totalled 19.

NUMBER OF COMPANIES IN MANUFACTURE OF TOBACCO PRODUCTS INDUSTRY BY SECTORS

SECTOR	2016	2015	2014
MANUFACTURE OF TOBACCO PRODUCTS	14	19	19

III. REVENUES

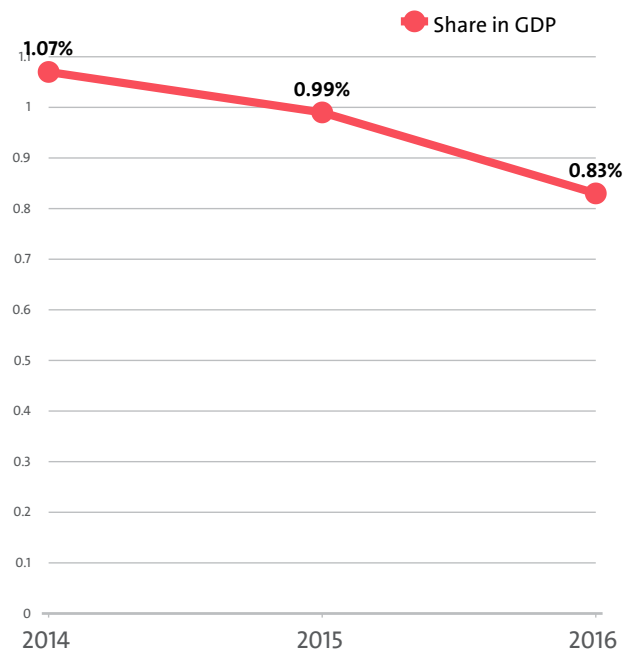
The total revenue in the industry was BGN 772,683,000 in 2016, BGN 884,840,000 in 2015 and 919,713,000 in 2014.



The companies in the Manufacture of tobacco products market of Bulgaria earned combined net sales revenues of BGN 616,649,000 in 2016.

In annual terms, sales marked a fall of 19.68% compared to 2015. In comparison to 2014 they dropped by 23.31%. In 2015 sales fell by 4.52% year-on-year.

The Manufacture of tobacco products industry total revenue make up 0.83% to the country's GDP in 2016, compared to 0.99% for 2015 and 1.07% in 2014.



In 2016 the Manufacture of tobacco products industry contributed to GDP BGN 620,367,000 in Gross value added (GVA) accounting for 0.41% of the total for the country's economy.

In the previous year, the industry's GVA amounted BGN 775,643,000, accounting for 0.50% of the total for the

country in 2015. In 2014 the GVA of the Manufacture of tobacco products was BGN 872,744,000, or 0.61% of the GVA for the country's economy.

We expect, based on the trend in the last three years, the total revenue of the Manufacture of tobacco products industry to change at a compound annual growth rate (CAGR) of -8.34% in 2017.

Manufacture of tobacco products contributed net sales revenue of BGN 616,649,000 or 100.00% of the total net sales in the industry.

There was no industry's sector to report a growth in net sales revenues. In terms of annual drop, the top position was occupied by Manufacture of tobacco products with 19.68%.

The top 10 companies in terms of total revenue in Manufacture of tobacco products accounted for 99.32% of the industry's total in 2016, 99.61% in 2015 and 99.47% in 2014.

TOP 10 COMPANIES BY TOTAL AND NET SALES REVENUE IN THE INDUSTRY

RANK	COMPANY	TOTAL REVENUE (BGN)	NET SALE REVENUE (BGN)
1	BLAGOEVGRAD - BT AD	333,596,000	256,803,000
2	SOCOTAB EOOD	147,508,000	137,970,000
3	KT INTERNATIONAL EAD	93,049,000	85,935,000
4	SOFIA -BULGARTABAC AD	91,151,000	49,741,000
5	LIYV TABAKO A. MIHAYLIDIS AD	51,674,000	40,543,000
6	PARVOMAY -BT AD	21,352,000	20,336,000
7	PLEVEN BULGARTABAK EAD	15,568,000	12,167,000
8	SLANCE STARA ZAGORA TABAK AD	7,503,000	5,171,000
9	KARDZHALI TABAK AD	3,440,000	3,420,000
10	DUPNITSA-TABAK AD	2,567,000	1,000

The total revenues of the top 10 companies in the Manufacture of tobacco products were 0.83% of GDP in 2016, compared to 0.99% for 2015 and 1.06% in 2014.

The top 10 by assets in the Manufacture of tobacco products industry made up BGN 612,087,000, or 99.26% of the total net sales revenue.

TOP 10 BY TOTAL ASSETS IN THE INDUSTRY

RANK	COMPANY	BGN
1	BLAGOEVGRAD - BT AD	565,481,000
2	SOFIA -BULGARTABAC AD	250,632,000
3	KT INTERNATIONAL EAD	245,293,000
4	SOCOTAB EOOD	201,076,000
5	LIYV TABAKO A. MIHAYLIDIS AD	114,440,000
6	KARDZHALI TABAK AD	38,387,000
7	PARVOMAY -BT AD	26,060,000
8	PLEVEN BULGARTABAK EAD	24,623,000
9	SLANCE STARA ZAGORA TABAK AD	17,463,000
10	DUPNITSA-TABAK AD	9,966,000

TOP COMPANIES WITH HIGHEST ANNUAL GROWTH IN OPERATING REVENUE IN MANUFACTURE OF TOBACCO PRODUCTS

RANK	COMPANY	Y/Y GROWTH
1	TOPOLOVGRAD BT-AD	476.17%
2	DUPNITSA-TABAK AD	195.64%
3	GLOBAL TOBACCO OOD	67.07%
4	MEHANIKA AD	66.67%
5	LIYV TABAKO A. MIHAYLIDIS AD	32.63%

TOP 10 COMPANIES BY TOTAL REVENUE IN THE INDUSTRY WERE:

COMPANY	BGN
BLAGOEVGRAD - BT AD	333,596,000
SOCOTAB EOOD	147,508,000
KT INTERNATIONAL EAD	93,049,000
SOFIA -BULGARTABAC AD	91,151,000
LIYV TABAKO A. MIHAYLIDIS AD	51,674,000
PARVOMAY -BT AD	21,352,000
PLEVEN BULGARTABAK EAD	15,568,000
SLANCE STARA ZAGORA TABAK AD	7,503,000
KARDZHALI TABAK AD	3,440,000
DUPNITSA-TABAK AD	2,567,000

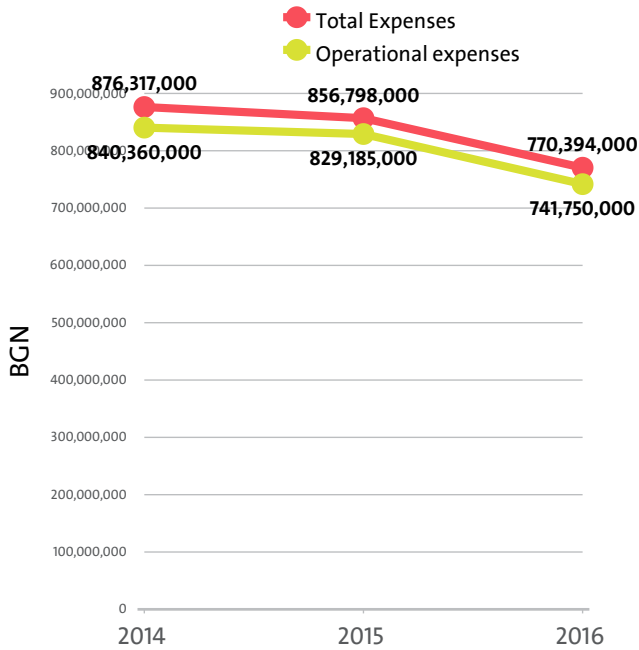
The 10 largest companies in terms of total revenue in sector Manufacture of tobacco products earned total revenue of BGN 767,408,000 and accounted for 99.32% of the industry's total revenue.

PRODUCTION SALES FIGURES FOR MANUFACTURE OF TOBACCO PRODUCTS IN 2016

SECTOR	SALES IN BGN	INCL. SALES ON THE DOMESTIC MARKET IN BGN	INCL. EXPORTS IN BGN
MANUFACTURE OF TOBACCO PRODUCTS	583,974,000	209,128,500	374,846,000

IV. EXPENSES

The combined costs of the companies in the Manufacture of tobacco products industry reached BGN 770,394,000 in 2016.



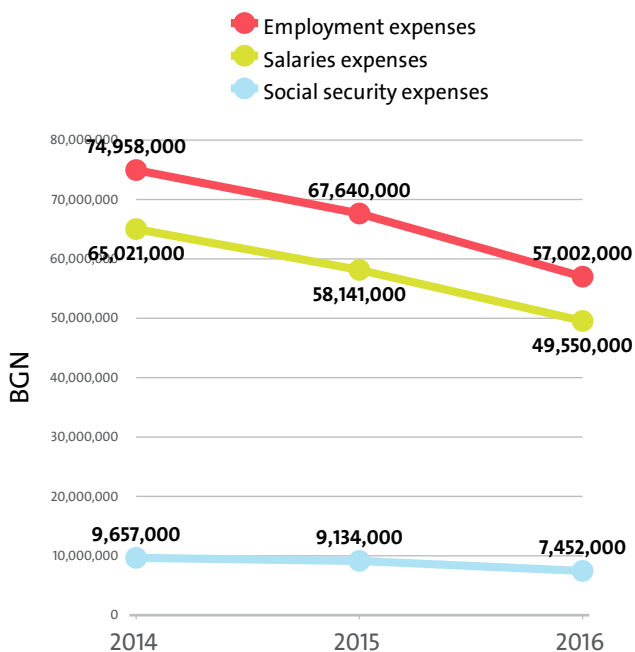
In annual terms, total expenses fell by 10.08% compared to 2015 and went down by 12.09% in comparison to 2014.

The total operating expenses of the companies in the Manufacture of tobacco products industry were BGN 741,750,000 in 2016.

Operating costs fell by 10.54% compared with the previous year and dropped by 11.73% when compared to 2014.

We expect, based on the trend in the last three years, the total costs of the Manufacture of tobacco products industry to change at a compound annual growth rate (CAGR) of -6.24% in 2017.

Employment expenses in the Manufacture of tobacco products industry decreased by 15.73% on the year to BGN 57,002,000 in 2016.



The monthly costs per employee in the Manufacture of tobacco products industry averaged BGN 2,009 in 2016, BGN 1,897 in 2015 and BGN 1,989 in 2014.

The monthly social security costs per employee in the industry averaged BGN 263 in 2016, versus BGN 256 in 2015 and BGN 256 in 2014.

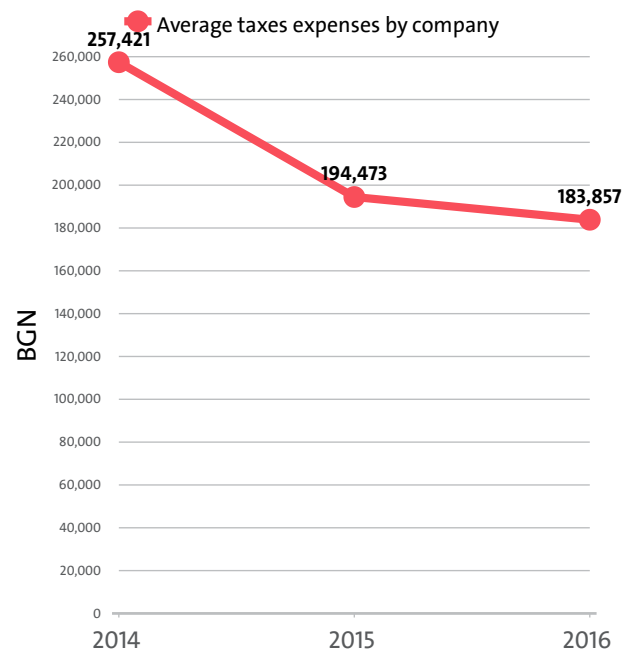
EMPLOYMENT EXPENSES IN MANUFACTURE OF TOBACCO PRODUCTS BY SECTORS IN 2016

RANK	SECTOR	EMPLOYMENT EXPENSES (BGN)	AVERAGE EXPENSES PER EMPLOYEE (BGN)
1	MANUFACTURE OF TOBACCO PRODUCTS	57,002,000	24,113

THE TOP 10 COMPANIES BY AVERAGE MONTHLY COSTS PER EMPLOYEE IN THE INDUSTRY

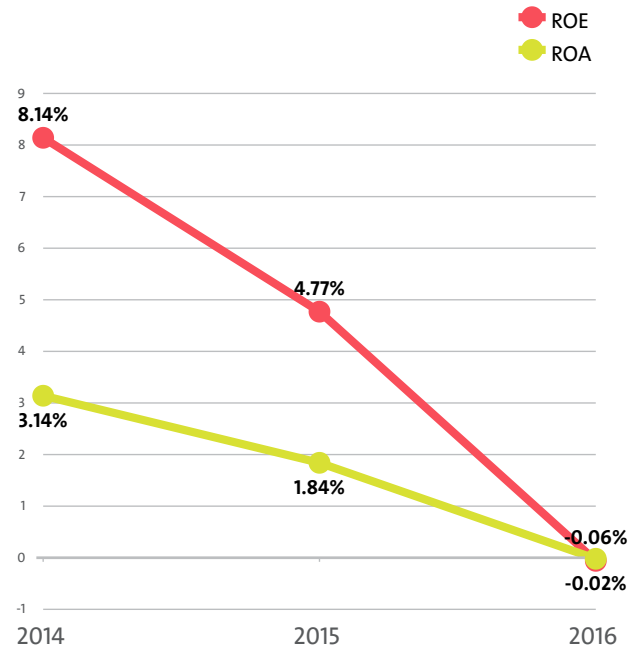
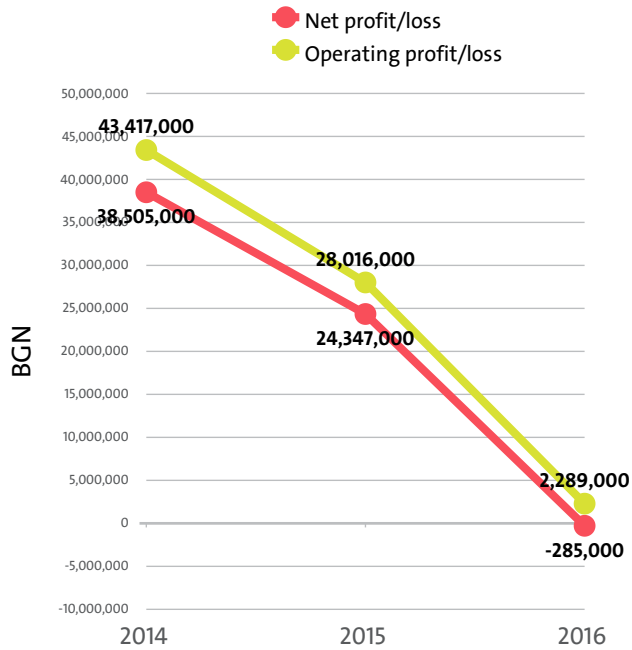
RANK	COMPANY	BGN
1	SOFIA -BULGARTABAC AD	4,819
2	BLAGOEVGRAD - BT AD	3,072
3	DUPNITSA-TABAK AD	2,400
4	SOCOTAB EOOD	1,635
5	PLEVEN BULGARTABAC EAD	1,326
6	KT INTERNATIONAL EAD	1,289
7	SLANCE STARA ZAGORA TABAK AD	1,252
8	KARDZHALI TABAK AD	1,151
9	TOPOLOVGRAD BT-AD	1,115
10	LIYV TABAKO A. MIHAYLIDIS AD	850

The industry's tax expenses stood at BGN 2,574,000 in 2016. In 2015 it paid taxes of BGN 3,695,000. In 2014 the industry paid BGN 4,891,000 in taxes.



V. PROFITABILITY

The industry's net loss amounted to BGN 285,000 in 2016, compared to a net profit of BGN 24,347,000 in 2015 and a net profit of BGN 38,505,000 in 2014.



TOP COMPANIES BY HIGHEST NET PROFIT IN MANUFACTURE OF TOBACCO PRODUCTS

RANK	COMPANY	BGN
1	BLAGOEVGRAD - BT AD	13,283,000
2	SOCOTAB EOOD	3,816,000
3	SOFIA -BULGARTABAC AD	1,666,000
4	PARVOMAY -BT AD	168,000
5	SLANCE STARA ZAGORA TABAK AD	132,000

TOP COMPANIES BY HIGHEST NET LOSS IN MANUFACTURE OF TOBACCO PRODUCTS

RANK	COMPANY	BGN
1	LIYV TABAKO A. MIHAYLIDIS AD	17,007,000
2	KARDZHALI TABAK AD	1,293,000
3	PLEVEN BULGARTABAK EAD	559,000
4	DUPNITSA-TABAK AD	431,000
5	GLOBAL TOBACCO OOD	179,000

The combined operating earnings of the companies in the Manufacture of tobacco products market fell by 91.83% y/y to BGN 2,289,000 in 2016.

The profit margin for the Manufacture of tobacco products industry stood at 0.31% in 2016, while in 2015 it amounted to 3.23% and 4.83% in 2014.

The Manufacture of tobacco products industry's return on equity (ROE) is -0.06% compared to 4.77% in 2015 and 8.14% in 2014.

The Manufacture of tobacco products's return on assets (ROA) was -0.02%, while in 2015 it amounted to 1.84% and 3.14% in 2014.

TOP COMPANIES BY HIGHEST AVERAGE NET PROFIT PER EMPLOYEE IN MANUFACTURE OF TOBACCO PRODUCTS

RANK	COMPANY	BGN	COMPANY HEADQUARTERS (CITY)
1	BLAGOEVGRAD - BT AD	22,438	BLAGOEVGRAD
2	VALTABAK OOD	11,714	MANOLE
3	SOFIA -BULGARTABAC AD	9,256	SOFIA
4	SOCOTAB EOOD	7,159	RADINOVO
5	SLANCE STARA ZAGORA TABAK AD	1,257	STARA ZAGORA

The average net sales revenue per employee in the Manufacture of tobacco products industry amounted to BGN 260,850 in 2016, up by 0.98% compared to 2015 and up by 1.86% compared to 2014.

The industry's average operating revenue per employee went up by 6.77% year-on-year in 2016 to BGN 311,186. It increased by 8.63% compared to 2014.

The Manufacture of tobacco products industry generated an average BGN 326,854 in total revenue per employee. In 2015 and 2014 the figure was BGN 297,725 and BGN 292,902, respectively.

The average total revenue per company in the Manufacture of tobacco products industry rose to BGN 55,191,643 in 2016 from BGN 46,570,526 in 2015. The 2014 value was BGN 48,405,947.

A company in the Manufacture of tobacco products sector made on average a net sales revenue of BGN 44,046,357 in 2016, compared to BGN 40,406,737 in 2015 and BGN 42,320,368 in 2014.

The Manufacture of tobacco products industry made 0.25% of the overall sales country-wide, reducing its market share by 0.06 pp.

Operating profit per employee for the industry as a whole was BGN 968 in 2016. For comparison in 2015 it amounted to BGN 9,427 and BGN 9,427 in 2014.

THE TOP BY OPERATIONAL PROFIT PER EMPLOYEE IN MANUFACTURE OF TOBACCO PRODUCTS

RANK	COMPANY	BGN
1	BLAGOEVGRAD - BT AD	25,182
2	VALTABAK OOD	12,143
3	SOPIA -BULGARTABAC AD	10,656
4	SOCOTAB EOOD	8,056
5	TOPOLOVGRAD BT-AD	1,250

TOP 10 COMPANIES WITH HIGHEST CORRELATION OPERATING REVENUE - NUMBER OF EMPLOYEES - EMPLOYMENT EXPENSES*

RANK	COMPANY NAME	CORRELATION (BGN)
1	LIYV TABAKO A. MIHAYLIDIS AD	481,362
2	BLAGOEVGRAD - BT AD	469,314
3	SOPIA -BULGARTABAC AD	448,511
4	TOPOLOVGRAD BT-AD	279,750
5	SOCOTAB EOOD	257,126
6	DUPNITSA-TABAK AD	215,400
7	VALTABAK OOD	191,714
8	KT INTERNATIONAL EAD	191,335
9	PARVOMAY -BT AD	129,529
10	PLEVEN BULGARTABAK EAD	93,021

*The correlation is calculated by subtracting the quotient of the operating profit, and the employment expenses to the number of employees.

AVERAGE REVENUES PER EMPLOYEE IN MANUFACTURE OF TOBACCO PRODUCTS IN 2016

SECTOR	AVERAGE NET SALES REVENUE (BGN)	AVERAGE OPERATING REVENUE (BGN)	AVERAGE TOTAL REVENUE (BGN)	NUMBER OF EMPLOYEES
MANUFACTURE OF TOBACCO PRODUCTS	260,850	311,186	326,854	2,364

AVERAGE REVENUE PER COMPANY IN MANUFACTURE OF TOBACCO PRODUCTS IN 2016

SECTOR	AVERAGE NET SALES REVENUE (BGN)	AVERAGE OPERATING REVENUE (BGN)	AVERAGE TOTAL REVENUE (BGN)	NUMBER OF COMPANIES
MANUFACTURE OF TOBACCO PRODUCTS	44,046,357	52,546,000	55,191,643	14

The total indebtedness of the companies in the Manufacture of tobacco products industry was BGN 1,020,448,000 versus BGN 800,878,000 a year ago. In 2014 the industry's indebtedness totalled BGN 740,423,000.

Debt-to-assets ratio of the companies in the industry is 0.68 in 2016. It was 0.61 in 2015 and 0.60 in 2014.

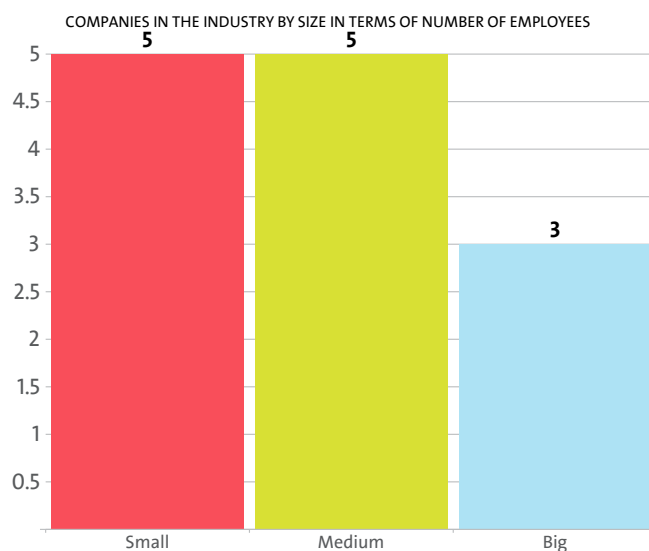
According to market experts, the greatest impact on the development of the Manufacture of tobacco products industry has net sales revenue to production and land plots ratio. In 2016 it stood at 116, according to the financial statements of the companies in the industry. In 2015 the figure was 135 and 84 in 2014.

VI. EMPLOYMENT

A total of 2,364 people were employed in the Manufacture of tobacco products field at the end of 2016, compared to 2,972 in 2015 and 3,140 in 2014.

The analysis on companies' sizes by the number of employees, shows that 5 firms have less than 50 employees*, 5 have between 50 and 250 employees* and 3 companies employ more than 250*.

* Companies without data in the number of employees at end of the year are not taken into consideration.



The employees of the leading 10 companies when it comes to numbers make up 99.15% of the workforce in the industry in 2016.

TOP 10 COMPANIES BY SHARE IN INDUSTRY'S TOTAL NUMBER OF EMPLOYEES

RANK	COMPANY	NUMBER OF EMPLOYEES	SHARE
1	BLAGOEVGRAD - BT AD	592	25.04%
2	SOCOTAB EOOD	533	22.55%
3	KT INTERNATIONAL EAD	445	18.82%
4	SOPIA -BULGARTABAC AD	180	7.61%
5	PARVOMAY -BT AD	155	6.56%
6	PLEVEN BULGARTABAK EAD	142	6.01%
7	LIYV TABAKO A. MIHAYLIDIS AD	105	4.44%
8	SLANCE STARA ZAGORA TABAK AD	105	4.44%
9	KARDZHALI TABAK AD	48	2.03%
10	GLOBAL TOBACCO OOD	39	1.65%

The Manufacture of tobacco products industry is the 68th largest employer in the country with 2,364 employees with the largest employer being Retail trade, except of motor vehicles and motorcycles with 234,189 and Libraries, archives, museums and other cultural activities at the bottom with 54 employees.

The Manufacture of tobacco products's share in the country's total employment was 0.10% in 2016, 0.15% in 2015 and 0.17% in 2014.

We expect, based on the trend in the last three years, the number of employees of the Manufacture of tobacco products industry to change at a compound annual growth rate (CAGR) of -13.23% in 2017.

The industry is represented by the following companies

TOPOLOVGRAD BT-AD

LIYV TABAKO A. MIHAYLIDIS AD

KT INTERNATIONAL EAD

PARVOMAY -BT AD

SOCOTAB EOOD

BLAGOEVGRAD - BT AD

PLEVEN BULGARTABAK EAD

GLOBAL TOBACCO OOD

SOFIA -BULGARTABAC AD

SLANCE STARA ZAGORA TABAK AD

DUPNITSA-TABAK AD

KARDZHALI TABAK AD

VALTABAK OOD

MEHANIKA AD

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