

**Global Consulting  
OOD**

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CREDIT RATING*	Update	Monitoring	Update
Date of Rating Committee:	06.01.2017	16.05.2017	15.02.2018
Date of Publication:	10.01.2017	18.05.2017	16.02.2018
Long-term credit rating:	BBB-	BBB-	BBB-
Outlook:	negative**	stable	stable
Short-term credit rating:	A-3	A-3	A-3
National-scale long-term credit rating:	A+ (BG)	A+ (BG)	A+ (BG)
Outlook:	stable	stable	stable
National-scale short-term rating:	A-1+(BG)	A-1+(BG)	A-1+ (BG)

\* To become familiar with full rating history, please see the chart at the bottom of the document

\*\* The assigned „negative“ outlook is not a result of deterioration of the indicators of „Global Consulting“ OOD, and it is a consequence of the applied ceiling of the rating which is determined by the sovereign rating and outlook (as of the time of review the rating assigned by BCRA to the Republic of Bulgaria is long-term rating: BBB-(ns), outlook: „negative“, short-term rating: A-3 (ns) – see [http://www.bcra-bg.com/files/rating\\_287.pdf](http://www.bcra-bg.com/files/rating_287.pdf)).

**BCRA - Credit Rating Agency (BCRA)** is the third qualified rating agency in EU, registered under Regulation 1060/2009 of the European Parliament and of the European Council. The credit ratings, assigned by BCRA, are recognized in the whole EU and are entirely equal with the other ratings, recognized by European Securities and Markets Authority (ESMA), without any territorial or other restrictions.

**BCRA affirms the assigned ratings to Global Consulting:**

- Long-term rating: **BBB-**, outlook: **stable**, short-term rating: **A-3**;
- National-scale long-term rating: **A+ (BG)**, outlook: **stable**, national-scale short-term rating: **A-1+ (BG)**.

**The officially adopted methodology for assigning a corporate credit rating has been applied by BCRA ([http://www.bcra-bg.com/files/file\\_103.pdf](http://www.bcra-bg.com/files/file_103.pdf)), approved and entered into force on 06.07.2016.**

To produce the rating report and to assign credit rating, BCRA uses information from the rated company, Bulgarian National Bank, National Statistical Institute, its own database, consultants, and other sources of public information, etc.

In 2016, the growth of Bulgarian economy accelerates, from 3.6% in 2015 to 3.9% in 2016. In the first half of 2017, the economy of the country increases by 3.7% compared to the same period of 2016.

The uptrend started after 2013 is reinforced in the reserve assets of the BNB which is a solid buffer for guaranteeing the stability of the currency board.

In 2016, the flow of DFI decreases to 1.4%, reaching the lowest values for the last 5 years. The preliminary data say that the decline in the investment flows continues in the first half of 2017.

The data for the labour market in the first half of 2017 reports record-breaking high indicators for economic activity and employment of the population. Ascending remains the labour income trend. Unemployment ratio reaches its pre-crisis levels (6-7%).

Since June 2017, overall average annual change of prices register increasing positive values and reach 0.6% as of the end of September.

The balance on government budget reports improvement. The deficit in the size of 2.3% of GDP in 2015 reduces to 1.2% of GDP as of the end of 2016 (size of 1.9% in the State Budget of the Republic of Bulgaria Act).

	<p><b>CREDIT RATING</b>  <b>Global Consulting</b>  Long-term/ short-term rating: <b>BBB-/A-3</b> (outlook: <b>stable</b>)  National-scale long-term/ national-scale short-term rating:  <b>A+ (BG) / A-1+ (BG)</b> (outlook: <b>stable</b>)  <b>February 2018</b></p>
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The budgetary balance on CFP (Consolidated Fiscal Programme), set out in the draft budget for 2018, is a deficit in the size of 1.0% of GDP. The government intends to continue the policy for gradual consolidation and reaching a balanced budget in 2020. In the forecast period there are not planned substantial changes in the tax policy.

The level of the state debt (27.4% of GDP at the end of 2016, 23.6% of forecast GDP as of the end of September 2017) continues to be a positive factor for Bulgaria<sup>1</sup>. The Ministry of Finance expects a fall in the state debt to 22.3% of GDP as of the end of 2018 and reach 20.0% as of the end of 2020.

For the period of updating the banking system in the country is characterized by:

- Retention of the substantial share of the foreign capital in the total capital in the banking system;
- The assets in the banking system continue to increase in the last two complete years and in the first half of 2017;
- Retained uptrend in the profit in the banking system, observed in the previous three years as well. In the mid-2017 the reported profit by the banks reports a substantial move down compared to a year earlier (a decline of 14.6% in a nominal value compared to substantial growth of 53.7% as of Q2 2016), as it should be taken in consideration that the indicated is not due to negative trends with regard to the generated income and/or expenses of the bank, and is a result of the circumstance that in the first half of 2016 substantial part of the realized income have had a single character (more than 150 mln. BGN are added as a result of the completion of the transaction for Visa Europe);
- In 2016 and the first half of 2017 the trend of increase in the attracted funds in the form of deposits is retained (regardless credit institutions);
- After delay in the fall in lending in 2015, in 2016 there is a slight positive change in

the size of given loans and advance payments to non-financial sector (0.6% on a yearly basis), and in the first half of 2017 the registered growth accelerates to 3.4% compared to the same period for 2016. The Ministry of Finance stipulates this process to continue in the period 2017-2020;

- The non-performing loans decrease to 12.9% of gross credit portfolio as of the end of 2016 (14.5% as of 2015). The continuous improvement in the quality of the portfolio is observed in the first half of 2017 as well (by nearly 2 p.p. in comparison with a year earlier), as the level of non-performing exposures remains relatively high – 12.1% of gross credit portfolio;
- High levels of liquidity and capital adequacy continue to be reported.

For the favorable state of the banking sector bespeak the results of the held AQR (Asset Quality Review) and stress tests for stability of banks in Bulgaria (announced in August 2016), show that the banking sector is stable, well capitalized, and public support for banks with state resources is not needed.

The IT sector continues to be among the best performing and has gone unimpeded throughout the crisis. The revenue growth in the industry is double digit for another year, and for the past five years it has grown more than twice. The share of the sector in GDP increases, reaching 2.2% in 2016 and 2.4% in 2017<sup>2</sup>. A stable uptrend is also present in remuneration, as the average monthly remuneration in the sector of BGN 1 668 for 2011 reaching BGN 2 885 in 2017. There is still a problem of insufficient workforce. The main engine in the market are companies that operate mainly for foreign markets.

During the period of updating, there have been no changes in the activity of Global Consulting. The company is registered under the NACE code 62.09 "Other activities in information technologies" and deals with software, hardware and communication equipment, consultancy services in the field of computers, development and licensing of applied software products,

<sup>1</sup> Maximum possible reference value of Maastricht criteria for convergence is 60%

<sup>2</sup> The data for 2017 are forecast

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During the period of updating, income from sales of Global Consulting continue to reduce: in 2016, the decline is 24.1% on an annual basis, and in the first nine months of 2017 - 27.4% compared to the same period of 2016. The maintenance and development of software have a dominant position in the past two years, holding a total of 37% over the years. During the first nine months of 2017, there is growth in income of software maintenance which reach 53%, while the software development decreases to only 6%.

The main competitors of the company are Hewlett Packard Bulgaria EOOD, IBM Bulgaria EOOD, Siemens EOOD, Musala Soft OOD and Oracle Bulgaria.

The clients of the company continue to be very concentrated, which is determined by the nature of the activity: in 2016, the three biggest clients hold 56% of the turnover with clients. On the other hand, they are large financially stable companies or government structures, which are mostly good payers.

Concentration is also observed with suppliers who, however, are longtime partners of Global Consulting, maintaining solid relationships. In 2016, the three largest suppliers form 51% of the total turnover with suppliers, and in the first nine months of 2017 they are 64%.

Global Consulting continues to reduce its business activity as in 2016 the decline in net revenues from sales is 24.1% on an annual basis, and in the first nine months of 2017 - 27.4% compared to the corresponding period of the previous year. The operating expenses also decrease for the second

consecutive year, and for 2016, the decline is 27.5%. For the third consecutive year, the company reports a negative operating result, while the net financial result is positive, albeit little in amount - BGN 12 thousand for 2016 and BGN 9 thousand for the first nine months of 2017.

A positive factor is the high liquidity of the company, which declines in 2016, but as of September 2017 it increases again. Another positive factor is the low profitability of the company. With regard to the collection period, Global Consulting has a comparatively unfavorable position over the average for the competing group. During the repayment period of the liabilities, the position of the company in the last complete year is better.

### Main financial indicators

Indicators (thousand BGN)	cen.17	cen.16	2016	2015	2014	2013	2012
Assets	6 034	6 484	6 628	7 037	8 677	7 816	8 883
Income from sales	1 208	1 664	2 268	2 987	5 228	4 631	3 115
Net Financial Result	9	64	12	52	53	535	2 018
Net Profitability	0.75%	3.85%	0.53%	1.74%	1.01%	11.55%	64.78%
Current liquidity	66.66	37.67	18.73	70.67	18.26	19.59	21.66
Quick liquidity	63.11	34.2	16.97	67.36	9.61	13.01	19.38
Leverage	0.01	0.05	0.08	0.11	0.26	0.08	0.04

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**\*Rating history:**

The ratings displayed in the chart are assigned under the previous Methodology for rating of the ability of insurance companies to pay claims, respectively with the applied rating scale and are not directly comparable with the ratings assigned after the entry into force of the current methodology on 04.07.2016.

	Initial rating 09.2004	Update 05.2005	Update 09.2006	Update 08.2007	Update 10.2008	Update 05.2009
<b>CREDIT RATING</b>						
Long-term rating :	<b>BB+</b>	<b>BBB</b>	<b>BBB</b>	<b>BBB</b>	<b>BBB+</b>	<b>BBB+</b>
Outlook :	<b>stable</b>	<b>stable</b>	<b>negative</b>	<b>stable</b>	<b>stable</b>	<b>stable</b>
Short-term rating :	<b>B</b>	<b>A-3</b>	<b>A-3</b>	<b>A-3</b>	<b>A-2</b>	<b>A-2</b>

	Update 18.10.2010	Update 31.10.2011	Update 06.11.2012	Update 23.10.2013	Update 22.01.2015	Update 03.02.2016	Monitoring 05.07.2016
<b>CREDIT RATING</b>							
Long-term rating :	<b>BBB+</b>	<b>A-</b>	<b>A-</b>	<b>A-</b>	<b>A-</b>	<b>BBB+</b>	<b>BBB+</b> (under review)
Outlook :	<b>stable</b>	<b>stable</b>	<b>stable</b>	<b>stable</b>	<b>stable</b>	<b>stable</b>	
Short-term rating :	<b>A-2</b>	<b>A-1</b>	<b>A-1</b>	<b>A-1</b>	<b>A-1</b>	<b>A-2</b>	<b>A-2</b> (under review)