

AC

1Q20 Results Review

Opinion: Neutral, revenues amounted to PLN 62.4m, in line with preliminary figure. EBITDA of PLN 16.0m in the quarter came in 8% above our expectation of PLN14.8m. Revenues in sequential gas systems segment were close to our forecast, while sales of kits for towing hooks proved to be a positive surprise. As regards COVID-19, sales were realized as planned from except for a few shipments to countries which have witnessed a sudden strong weakening of the local currency (e.g. Mexico) or there where economic activity was suspended until the beginning of May (e.g. Peru, Italy).

Autogas systems segment revenues amounted to PLN 49.8m (3% down y/y), 1% below our expectations. Despite planned end of CAPEX program and increase in capacity, segments volumes were impacted by several negative factors: low prices of gasoline (despite the continuing favourable autogas/gasoline ratio, reduced import of cars on the secondary market, disruptions in global logistics and restrictions on operations on both the domestic and foreign markets. These are main reasons for the decrease in demand and lower volumes, as we suppose particularly in March. On the other hand, sales on both Kazakh and Russian markets which were main laggards recently seems to be restored. The share of vacuum LPG systems in segment's revenues prove to be negligible (PLN 1.0m in 1Q20 vs PLN 1.2m in 1Q19) and it tends to zero in line with our assumptions.

Kits for towing hooks segment revenues amounted to PLN 6.8m, 51% up y/y and 43% up q/q. Result came in above our expectation of PLN 4.4m and is much higher on y/y basis primarily due to very low base from 1Q19. The impact of the ongoing slowdown in the automotive market should be more visible since 2Q20.

Other products and services - 1Q20 result in other products and services segment came in at PLN 2.2m, below our assumption of PLN 3.1m. Sales in the segment fell on y/y basis as a result of the termination of cooperation with the electrical harness recipient who eventually closed its electric car project.

COGS amounted to PLN 40.0m, 1% higher y/y. Thus gross margin has shrank from 37.4% in 1Q19 to 36.0% in 1Q20 reflecting our assumption of deterioration in the product structure and a lower share of mechanical parts which are being sold at higher margins.

SG&A costs came in at PLN 9.4m and were up 4% y/y likely reflecting minimum wage hike.

AC reported **net profit** of PLN 11.6m (7% down y/y). The bottom line proved to be broadly in line with our expectations.

Operating cash flow in 1Q20 amounted to PLN 12.8m vs PLN 1.2m in 1Q19 due to an in current liabilities and changes in inventories.

Industrials

AC

BUY

FV PLN 40.8

8% upside

Price as of 5 May 2020 PLN 37.90

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Figure 1. AC 1Q20 results review

PLN m	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	QoQ	YoY	1Q20E	IPOP 1Q20E	1Q20 Prel.	1Q20 Prel.
Revenues	59.1	67.6	58.0	52.8	63.5	57.5	55.2	46.5	62.4	34%	-2%	62.4	0%	62.4	0%
Sequential gas injection systems	45.5	54.1	46.2	39.6	51.3	43.3	43.9	36.4	49.8	37%	-3%	50.5	-1%		
Vacuum LPG systems	1.4	1.1	0.9	0.9	1.2	1.2	0.8	0.6	1.0	52%	-16%	1.1	-14%		
Kits for towing hooks	5.8	6.1	5.8	6.3	4.5	7.6	5.1	4.8	6.8	43%	51%	4.4	53%		
Other products and services	3.0	2.6	2.2	3.2	3.1	2.2	2.1	2.0	2.2	6%	-31%	3.1	-30%		
Trade goods and materials	3.5	3.8	3.1	2.9	3.4	3.2	3.3	2.6	2.7	2%	-19%	3.3	-18%		
COGS	38.6	42.2	36.0	32.6	39.7	37.1	35.1	30.1	40.0	33%	1%				
Gross profit	20.4	25.4	22.0	20.1	23.7	20.4	20.0	16.5	22.5	37%	-5%	22.2	1%		
<i>Gross margin</i>	<i>34.6%</i>	<i>37.5%</i>	<i>37.9%</i>	<i>38.2%</i>	<i>37.4%</i>	<i>35.5%</i>	<i>36.3%</i>	<i>35.4%</i>	<i>36.0%</i>						
SG&A	8.2	9.8	9.8	10.6	9.0	9.1	8.7	9.7	9.4	-4%	4%				
EBIT	12.7	15.9	12.3	8.7	15.2	11.8	12.9	6.4	13.4	109%	-12%	12.5	7%		
Depreciation	2.2	2.2	2.3	2.6	2.8	2.8	2.9	3.0	2.6	-14%	-6%				
EBITDA	14.8	18.1	14.6	11.3	17.9	14.6	15.8	9.4	16.0	70%	-11%	14.8	8%		
Financial items	-0.1	0.0	-0.5	-0.6	0.0	-0.3	0.5	-0.1	0.4	-597%	1234%				
Income Before Taxes	12.6	15.9	11.8	8.1	15.2	11.5	13.5	6.3	13.8	119%	-9%				
Income Tax	2.2	3.3	2.3	1.6	2.8	2.1	2.3	1.0	2.2	121%	-21%				
Net Income	10.4	12.6	9.5	6.5	12.4	9.4	11.1	5.3	11.6	119%	-7%	11.0	5%		

Source: Company, IPOPEMA Research

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NII - Net interest income - interest income minus interest expense.

Net F&C - Net fee and commission income - fee and commission income minus fee and commission expense.

LLP - loan loss provisions - an expense set aside as an allowance for bad loans.

NPL - non-performing loan - loans that are in default or close to be in default.

Cost/Income – operating expenses divided by total banking revenue.

ROE – return on equity – net income (or adjusted net income) divided by the average shareholders' equity.

ROA – return on assets – net income (or adjusted net income) divided by the average assets.

EBIT – earnings before interests and tax.

EBITDA – earnings before interests, tax, depreciation and amortization.

EPS – earnings per share – the net income (or adjusted net income) divided by the number of shares outstanding.

P/E – price to earnings ratio – price divided by earnings per share.

PEG – P/E ratio divided by the annual EPS growth, usually over a certain period of time.

CAGR – compound annual growth rate.

BVPS – book value per share, the book value of the Company's equity divided by the number of shares outstanding.

P/BV – price to book value - price divided by the BVPS.

DPS – dividend per share – dividend of a given year divided by the number of shares outstanding.

DY – dividend yield – dividend of a given year divided by the current price.

DDM – dividend discount model – a fundamental method of valuation based on the assumption that the value of stock equals the sum of all discounted future dividends.

FV – Fair Value, calculated based on valuation methods outlined in the document.

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Sell	poniżej 10%

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	Number	%
Buy	2	29%
Hold	1	14%
Sell	4	57%
Total	7	100%

Rating History – AC

24/04/2020	BUY	PLN 40.8	PLN 36.0	Piotr Jusiński
02/08/2019	BUY	PLN 53.0	PLN 46.6	Piotr Jusiński