

2Q19 Results Review

Opinion: Neutral, revenues in line with preliminary print, EBITDA in 1H19 amounting to 32.5m (2% down y/y)

In 2Q19 AC reported revenues amounted to PLN 57.5m, in line with preliminary figure published on 2 Jul 2019. Company's EBITDA in the quarter reached PLN 14.6m (19% down q/q and 28% down y/y).

We perceive AC's 2Q19 results neutrally, as it seems reflecting our assumptions of no sales to Russia in 2Q19 and stable COGS and SG&A costs y/y.

- **Revenues** - in 2Q19 decreased by 15% y/y and 9% q/q to PLN 57.5m due to 5.6% y/y decrease in export sales given situation in Russia after introducing new regulations on converted vehicles registrations and PLN exchange rate strengthening against USD and EUR.
- **COGS** amounted to PLN 37.1m, 12% down y/y.
- **Autogas systems segment revenues** reached PLN 43.4m, broadly in line with our expectations. It seems that this quarter results were strongly impacted by limited sales to Russian what we assumed in our report. Thus the result is 16% lower q/q and 20% lower y/y.
- **Kits for towing hooks segment revenues** amounted to PLN 7.6m, 69% up q/q and 25% up y/y, despite the decrease in sales in 1Q19 caused mainly by very high sales in 4Q18 and building inventories by the partner at the end of 2018, what we perceived positively for the future outlook.
- **Other products and services** - 2Q19E result in other products and services segment came in at PLN 2.2m, 29% down q/q and 13% down y/y as a result of cooperation termination with the electrical harness recipient who started production in an affiliate company. However AC informed that it runs advanced negotiations with new clients regarding the development of this area of activity.
- Ongoing investments and intensification of research activities resulted in an increase in **depreciation** - in the first half of 2019 by PLN 1.17m y/y.
- AC reported **net profit** of PLN 9.4m (26% down y/y).
- **Operating cash flow** amounted to PLN 5.9m vs PLN 36.7m in 1H18 given the increase of inventories by PLN 6.8m and receivables by PLN 10.3m.
- **Net debt** amounted to PLN 42.6m (vs PLN 4.4m in 1Q19).

AC

BUY

FV PLN 53.00 (14% upside)

Price as of 8 Aug 2019: 47.2 PLN

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Chart 1: AC 2Q19 Results Review (PLN m)

PLN m	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	QoQ	YoY	2Q19 Prel.	Prel. 2Q19
Revenues	59	68	58	53	63	58	-9%	-15%	57.5	0%
Sequential gas injection systems	45	54	46	40	51	43	-16%	-20%		
Vacuum LPG systems	1	1	1	1	1	1	6%	13%		
Kits for towing hooks	6	6	6	6	4	8	69%	25%		
Other products and services	3	3	2	3	3	2	-29%	-13%		
Trade goods and materials	3	4	3	3	3	3	-5%	-16%		
COGS	39	42	36	33	40	37.1	-7%	-12%		
Gross profit	20	25	22	20	24	20	-14%	-19%		
<i>Gross margin</i>	34.6%	37.5%	37.9%	38.2%	37.4%	35.5%				
SG&A	8	10	10	11	9	9.1	1%	-7%		
EBIT	13	16	12	9	15	12	-23%	-26%		
Depreciation	2	4	7	9	3	3	2%	-36%		
EBITDA	15	20	19	18	18	15	-19%	-28%		
Financial items	0	0	0	-1	0	0				
Income Before Taxes	13	16	12	8	15	11	-25%	-28%		
Income Tax	2	3	2	2	3	2	-26%	-36%		
Net Income	10	13	10	7	12	9	-24%	-26%		

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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	Number	%
Buy	6	40%
Hold	6	40%
Sell	3	20%
Total	15	100%

Rating History – AC

5.08.2019	Buy	PLN 53.00	PLN 46.60	Piotr Jusiński
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