

AC

2Q20 Results Review

Opinion: Positive, revenues amounted to PLN 32.3m, in line with preliminary figure. EBITDA of PLN 8.2m in the quarter came in 72% above our expectation of PLN 6.3m on lower COGS (PLN 19.9m vs PLN 24.9m in our forecast). Revenues structure is close to our forecast with weak result in sequential gas injection systems segment and positive surprise in kits for towing hooks segment.

Autogas systems segment revenues amounted to PLN 18.9m (56% down y/y and 62% down q/q), in line with our expectations. AC highlighted that sales to Asian markets were the most impacted due to reduction of used car imports, disruption in global logistics, weakening of business partners' local currencies against the EUR and USD (accompanied with PLN weakening vs USD and EUR) and all social distancing rules affecting mobility and other restrictions. The share of vacuum LPG systems in segment's revenues prove to be even lower than we expected and came in at PLN 0.4m in 2Q20 vs PLN 1.2m in 2Q19 and PLN 0.5m expected by us.

Kits for towing hooks segment revenues amounted to PLN 9.9m, 30% up y/y and 46% up q/q. Result came in broadly in line with our expectation of PLN 9.6m driven primarily by an increase in revenues from the sale of electronics sets and wiring sets for tow bars as a result of the popularization of car tourism and motorhome travels.

Other products and services - 2Q20 result in other products and services segment came in at PLN 0.8m, below our assumption of PLN 1.4m.

COGS amounted to PLN 19.9m, 46% lower y/y and 50% lower q/q. The result is 20% below our forecast due to lower prices of raw materials in the quarters, what we perceive as a positive surprise.

SG&A costs came in at PLN 7.4m and were down 19% y/y, but 12% above our forecast. The company informed that the management board signed an agreement with employee representatives, under which, from May 1 to July 31, 2020, the working time and proportionally remuneration were reduced by 20%, with the exception of specialized departments related to the production of towbar kits (in line with our expectations). Management Board and the Supervisory Board voluntarily gave up 30% of their remuneration.

Other operating income. AC book co-financing received from the anti-crisis shield in the amount of PLN 2.45m in 2Q20 (we expected PLN 2.3m). Moreover, AC booked PLN 0.6m from the sale of unnecessary machinery due to established cooperation with specialized tool shop that will provide patterns making services (in line).

AC reported **net profit** of PLN 6.5m (31% down y/y), 120% above our expectations.

Operating cash flow in 2Q20 amounted to -6.3m due to an increase in inventories and receivables with an increase in trade liabilities.

Net debt at the end of 1H20 amounted to PLN 18.3m.

Industrials

AC

HOLD

FV PLN 42.0

5% upside

Price as of 7 August 2020 PLN 39.80

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Figure 1. AC 2Q20 results review

PLN m	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	QoQ	YoY	2Q20E	IPOP 2Q20E	2Q20 Prel.	2Q20 Prel.
Revenues	63.5	57.5	55.2	46.5	62.4	32.3	-48%	-44%	32.2	0%	32.2	0%
Sequential gas injection systems	51.3	43.3	43.9	36.4	49.8	18.9	-62%	-56%	18.8	0%		
Vacuum LPG systems	1.2	1.2	0.8	0.6	1.0	0.4	-58%	-66%	0.5	-22%		
Kits for towing hooks	4.5	7.6	5.1	4.8	6.8	9.9	46%	30%	9.6	3%		
Other products and services	3.1	2.2	2.1	2.0	2.2	0.8	-63%	-64%	1.4	-42%		
Trade goods and materials	3.4	3.2	3.3	2.6	2.7	1.3	-52%	-59%	1.9	-33%		
COGS	39.7	37.1	35.1	30.1	40.0	19.9	-50%	-46%				
Gross profit	23.7	20.4	20.0	16.5	22.5	12.3	-45%	-40%	7.3	69%		
<i>Gross margin</i>	<i>37.4%</i>	<i>35.5%</i>	<i>36.3%</i>	<i>35.4%</i>	<i>36.0%</i>	<i>38.2%</i>						
SG&A	9.0	9.1	8.7	9.7	9.4	7.4	-21%	-19%				
EBIT	15.2	11.8	12.9	6.4	13.4	8.2	-39%	-31%	3.6	125%		
Depreciation	2.8	2.8	2.9	3.0	2.6	2.6	0%	-7%				
EBITDA	17.9	14.6	15.8	9.4	16.0	10.8	-33%	-26%	6.3	72%		
Financial items	0.0	-0.3	0.5	-0.1	0.4	-0.2	-147%	-36%				
Income Before Taxes	15.2	11.5	13.5	6.3	13.8	8.0	-42%	-31%				
Income Tax	2.8	2.1	2.3	1.0	2.2	1.5	-35%	-30%				
Net Income	12.4	9.4	11.1	5.3	11.6	6.5	-44%	-31%	3.0	120%		

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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Buy	powyżej 10%
Hold	pomiędzy (włączając) -10% and 10%
Sell	poniżej 10%

IPOPEMA Research - Distribution by rating category (April 1– June 30, 2020)

	Number	%
Buy	23	55%
Hold	11	26%
Sell	8	19%
Total	42	100%

Rating History – AC

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