

AC

3Q19E Results Preview

AC releases its 3Q19 results on 8 November 2019.

Revenues. On 2 October 2019, AC published preliminary revenues of PLN 55.2m (down 5% y/y) for 3Q19. The number was below our expectation of PLN 62m, possibly because of a slower-than-expected sales recovery in Russia. According to Russian law, the new regulations on conversion to Autogas (aka LPG) are not legally binding from 14 July 2019, hence 3Q19 should be the last quarter to be heavily impacted by these negative changes. However, we assume that restoring sales levels will take some time on both the Russian and Kazakh markets and in general we expect an uninspiring set of 2H19 results. On the other hand, the weakening of the PLN exchange rate against USD and EUR has a positive impact on AC's operations. Overall, the preliminary result is in line with company's guidance for flat revenues y/y.

EBITDA. At the same time, we believe AC will be able to achieve the EBITDA goal outlined in the incentive program, namely PLN 55.6m (our forecasts assume PLN 55.5m). We assume the company will be able to deliver an EBITDA margin of 24.5% in 3Q19, with consolidated EBITDA arriving at PLN 13.5m (down 29% y/y and 7% q/q) in the period.

Net profit. We expect AC's net income to arrive at PLN 9.0m (down 4% q/q and 5% y/y) in 3Q19.

Figure 1 AC 3Q19 Results Preview

(PLN m)	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19E	3Q19E	yoy	qoq
Revenues (prel.)	59.1	67.6	58.0	52.8	63.5	57.5	55.2	-5%	-4%
EBITDA	14.8	20.3	19.0	18.0	17.9	14.6	13.5	-29%	-7%
EBIT	12.7	15.9	12.3	8.7	15.2	11.8	11.4	-7%	-3%
Net profit	10.4	12.6	9.5	6.5	12.4	9.4	9.0	-5%	-4%
EBITDA margin	25.1%	30.0%	32.8%	34.1%	28.3%	25.3%	24.5%	-8.2pp	-0.8pp
EBIT margin	21.5%	23.5%	21.2%	16.5%	23.9%	20.5%	20.6%	-0.5pp	0.2pp
Net margin	17.6%	18.6%	16.4%	12.3%	19.5%	16.3%	16.3%	-0.1pp	0.1pp

Source: Company, IPOPEMA Research

Industrials

AC

BUY

FV PLN 53.0

32% upside

Price as of 25 Oct 2019 PLN 40.2

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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	Above 10%
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	Number	%
Buy	18	58%
Hold	10	32%
Sell	3	10%
Total	31	100%

Rating History – AC

Date	Recommendation	Fair Value	Price at recommendation	Author
05/08/2019	BUY	PLN 53.0	PLN 46.6	Piotr Jusiński