

AC

3Q20 Results Review

Opinion: *Neutral*, revenues of PLN 51.9m came in broadly in line with preliminary print of PLN 51.7m. EBITDA amounted to PLN 13.3m (23% up q/q and 16 % down y/y) vs 13.7m in our forecast. Revenues structure is fairly surprising with weak result in sequential gas injection systems segment and strong in kits for towing hooks segment.

Autogas systems segment revenues amounted to PLN 32.5m (26% down y/y and 72% up q/q), 13% below our expectations of PLN 37.5m. AC highlighted that results are under pressure due to still low crude oil prices and weakening of business partners' local currencies against the EUR and USD (accompanied with PLN weakening vs USD and EUR). The share of vacuum LPG systems in segment's revenues came in close to our forecast of PLN 0.5m in 3Q20 vs PLN 0.8m in 3Q19.

Kits for towing hooks segment revenues amounted to PLN 13.6m, 169% up y/y and 30% up q/q. Result came in above our expectation of PLN 7.7m driven primarily by dynamic growth in kits for tow bars due to restrictions on foreign travels and significant development of domestic tourism, as well as the geographical expansion of Rameder. Gradual growth in this segment indicates that 4Q20E results might be better q/q as well.

Other products and services - 3Q20 result in other products and services segment came in at PLN 2.4m, in line with our forecast.

COGS amounted to PLN 33.5m, 5% lower y/y and 68% higher q/q. The result is slightly below our forecast due to lower prices of raw materials.

SG&A costs came in at PLN 9.6m and were up 10% y/y, what we perceive negatively. We remind 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% and 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 1.37m in 3Q20 (we expected PLN 1.2m).

AC reported **net profit** of PLN 8.8m (21% down y/y), 7% above our expectations.

Operating cash flow in 3Q20 amounted to 10.7m vs PLN 15.8m in 3Q19 with lower inventories and higher receivables.

Net debt at the end of 3Q20 reached PLN30m (vs PLN18.3m at the end of 1H20). The company paid PLN 18.4m in dividend in the quarter.

Industrials

AC

HOLD

FV PLN 40.15

6% upside

Price as of 9 November 2020 PLN 37.90

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Figure 1. AC 3Q20 results review IPOPEMA

PLN m	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	QoQ	YoY	IPOP 3Q20	IPOP 3Q20	3Q20 Prel.	3Q20 Prel.
Revenues	63.5	57.5	55.2	46.5	62.4	32.3	51.9	61%	-6%	51.7	0%	51.7	0%
Sequential gas injection systems	51.3	43.3	43.9	36.4	49.8	18.9	32.5	72%	-26%	37.5	-13%		
Vacuum LPG systems	1.2	1.2	0.8	0.6	1.0	0.4	0.6	36%	-30%	0.5	14%		
Kits for towing hooks	4.5	7.6	5.1	4.8	6.8	9.9	13.6	38%	169%	7.7	76%		
Other products and services	3.1	2.2	2.1	2.0	2.2	1.8	2.4	33%	15%	2.4	-1%		
Trade goods and materials	3.4	3.2	3.3	2.6	2.7	1.3	2.8	117%	-14%	3.6	-21%		
COGS	39.7	37.1	35.1	30.1	40.0	19.9	33.5	68%	-5%				
Gross profit	23.7	20.4	20.0	16.5	22.5	12.3	18.4	49%	-8%	15.5	19%		
<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>	<i>35.4%</i>						
SG&A	9.0	9.1	8.7	9.7	9.4	7.4	9.6	30%	10%				
EBIT	15.2	11.8	12.9	6.4	13.4	8.2	10.5	28%	-19%	9.8	7%		
Depreciation	2.8	2.8	2.9	3.0	2.6	2.6	2.8	7%	-3%				
EBITDA	17.9	14.6	15.8	9.4	16.0	10.8	13.3	23%	-16%	13.7	-3%		
Financial items	0.0	-0.3	0.5	-0.1	0.4	-0.2	0.1	-142%	-84%				
Income Before Taxes	15.2	11.5	13.5	6.3	13.8	8.0	10.6	33%	-22%				
Income Tax	2.8	2.1	2.3	1.0	2.2	1.5	1.8	23%	-22%				
Net Income	12.4	9.4	11.1	5.3	11.6	6.5	8.8	35%	-21%	8.2	7%		

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 (Jul 1 - Sep 30, 2020)

	Number	%
Buy	19	70%
Hold	6	22%
Sell	2	8%
Total	27	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