

AC

4Q19E Results Preview

AC releases its 4Q19 results on 16 March 2020.

Revenues. On 2 January 2020 AC published preliminary 4Q19 revenues which amounted to PLN 46.5m (12% lower y/y). The preliminary result indicates annual revenues at PLN 222.7m (down 6% y/y) which proved to be below company's guidance of flat revenues y/y in 2019. We expect 6% lower revenues y/y in the sequential gas injection systems segment amounting to PLN 37.1m and strong decline of sales of kits for towing hooks to PLN 4.3m (32% down y/y).

Sequential gas injection systems segment. We assume that disappointing sales are again driven by slower-than-expected sales recovery in Russia (based on our calculations Russia accounts for approx. 11% of company's revenues in 2019), even though the new regulations on conversion to LPG are not legally binding from 14 July 2019. We suppose that sales on Kazakh market (accounting for approx. 9% of company's revenues) might also be indirectly impacted by temporary deterioration of the sentiment for conversions among recipients from the East. Temporary slowdown is in line with our earlier assumption of an uninspiring set of 2H19 results in the sequential gas injection systems segment.

Kits for towing hooks segment. should not prove to be a positive surprise driven mainly by a lack of new market entries and the ongoing slowdown in the automotive industry. However we still expect Rameder to make a solid contribution to results starting from 2020E.

FX rates. As regards 4Q19, we remind that the strengthening of the PLN exchange rate against USD and the EUR had a negative impact on AC's operations in the quarter.

PB95 vs LPG spread. Increasing oil price during the quarter underpinned company's operations, given the average difference between PB95 and LPG price in Poland fell only slightly to 2.80 on average.

EBITDA. We expect PLN 9.3m EBITDA in 4Q19 (down 18% y/y and 41% q/q), thus the company should achieve the goal from the incentive program of PLN 55.6m EBITDA in 2019. We assume the company's EBITDA margin will shrink to 20.0% in 4Q19 vs 21.4% in 4Q18 due to lower sales on the most profitable markets such as Russia and Kazakhstan.

Net profit. We expect AC's net income to arrive at PLN 5.3m (down 18% q/q and 52% y/y) in 4Q19.

Industrials

AC

BUY

FV PLN 53.0

9% upside

Price as of 06 Feb 2020 PLN 48.6

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Figure 1. AC 4Q19E Results Preview

| (PLN m) | 1Q18 | 2Q18 | 3Q18 | 4Q18 | 1Q19 | 2Q19E | 3Q19 | 4Q19 | yoy | qoq |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|-------------|-------------|
| Revenues (prel.) | 59.1 | 67.6 | 58.0 | 52.8 | 63.5 | 57.5 | 55.2 | 46.5 | -12% | -16% |
| Sequential gas injection systems | 45.5 | 54.1 | 46.2 | 39.6 | 51.3 | 46.0 | 43.3 | 37.1 | -6% | -14% |
| Vacuum LPG systems | 1.4 | 1.1 | 0.9 | 0.9 | 1.2 | 0.9 | 1.2 | 0.7 | -21% | -45% |
| Kits for towing hooks | 5.8 | 6.1 | 5.8 | 6.3 | 4.5 | 5.2 | 7.6 | 4.3 | -32% | -44% |
| Other products and services | 3.0 | 2.6 | 2.2 | 3.2 | 3.1 | 2.2 | 2.2 | 1.8 | -45% | -21% |
| Trade goods and materials | 3.5 | 3.8 | 3.1 | 2.9 | 3.4 | 3.2 | 3.2 | 2.8 | -4% | -13% |
| Gross profit | 20.4 | 25.4 | 22.0 | 20.1 | 23.7 | 20.4 | 20.0 | 19.6 | -3% | -2% |
| EBITDA | 14.8 | 18.1 | 14.6 | 11.3 | 17.9 | 14.6 | 15.8 | 9.3 | -18% | -41% |
| EBIT | 12.7 | 15.9 | 12.3 | 8.7 | 15.2 | 11.8 | 12.9 | 7.2 | -17% | -44% |
| Net profit | 10.4 | 12.6 | 9.5 | 6.5 | 12.4 | 9.4 | 11.1 | 5.3 | -18% | -52% |
| EBITDA margin | 25.1% | 26.8% | 25.2% | 21.4% | 28.3% | 25.3% | 28.6% | 20.0% | -1.4pp | -8.7pp |
| EBIT margin | 21.5% | 23.5% | 21.2% | 16.5% | 23.9% | 20.5% | 23.4% | 15.5% | -1pp | -8pp |
| Net margin | 17.6% | 18.6% | 16.4% | 12.3% | 19.5% | 16.3% | 20.2% | 11.4% | -0.9pp | -8.8pp |

Source: Company, IPOPEMA Research

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 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.
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| | Number | % |
|-------|--------|------|
| Buy | 17 | 53% |
| Hold | 10 | 31% |
| Sell | 5 | 16% |
| Total | 32 | 100% |

Rating History – AC

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