

AC

4Q19 Results Review

Opinion: Neutral, revenues in line with preliminary figure, EBITDA in 4Q19 slightly above our expectations and lower than market consensus. AC reached PLN 57.7m EBITDA in 2019, thus exceeded expectations from the incentive program of PLN 55.6m.

AC revenues amounted to PLN 46.5m, in line with preliminary figure. Company's EBITDA in the quarter reached PLN 9.4m (16% down y/y), above our forecast of PLN 9.3m. Ongoing investments and intensification of R&D program increased depreciation to PLN 3.0m in 4Q19 vs PLN 2.6 in 4Q18.

We perceive AC's 4Q19 results neutrally as 4Q results usually prove to be the weakest in the financial year. Moreover in 4Q9 AC has witnessed lower sales in autogas systems segment in particular export markets e.g. due to political turmoil in Algeria, worsening relation of autogas prices vs conventional fuels prices in Kazakhstan and Brazil, lower quality of gas itself (Kazakhstan) and ongoing problems with sales on the Russian market. In 4Q19 revenues decreased by 12% y/y and 16% q/q given abovementioned reasons.

Autogas systems segment revenues amounted to PLN 36.4m (8% down y/y), 2% below our expectations. It seems that we underestimated weaker sales particularly on Kazakh market, which according to our calculations is in top 5 markets in terms of share in company's revenues. The relation of autogas prices vs conventional fuels seems to be attractive even despite recent decrease of crude oil prices. The share of vacuum LPG systems in segment's revenues prove to be negligible (PLN 0.6m in 4Q19 vs PLN 0.9m in 4Q18) and it tends to zero in line with our revenues.

Kits for towing hooks segment revenues amounted to PLN 4.8m, 24% down y/y and 6% down q/q. Result came in above our expectations even despite the fact that the company has witnessed impact of the ongoing slowdown in the automotive market in this segment.

Other products and services - 4Q19 result in other products and services segment came in at PLN 2.0m, above our expectations of PLN 1.8m.

COGS amounted to PLN 30.1m, 8% down y/y. A slower decrease in COGS than revenues is the effect of fixed costs at a lower level of sales. On the other hand higher wages costs in 2019 were largely covered by reductions in the purchase prices of materials.

SG&A costs came in at PLN 9.6m and were down 8% y/y what we perceive positively.

Other operating items include PLN 2.2m subsidies received in 2019.

AC reported **net profit** of PLN 5.3m (19% down y/y and 52% down q/q). The bottom line proved to be in line with our expectations and market consensus.

Operating cash flow in 2019 amounted to PLN 41.6m vs PLN 50.7m in 2018 due to a decrease in current liabilities and provisions coupled with a decrease in receivables and higher depreciation.

Industrials

AC

BUY

FV PLN 53.0

39% upside

Price as of 16 Mar 2020 PLN 38.00

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Figure 1. AC 4Q19 Results Review

PLN m	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	QoQ	YoY	4Q19E	IPOP 4Q19E	4Q19C	IPOP 4Q19E
Revenues	59.1	67.6	58.0	52.8	63.5	57.5	55.2	46.5	-16%	-12%	46.5	0%	46.5	0%
Sequential gas injection systems	45.5	54.1	46.2	39.6	51.3	43.3	43.9	36.4	-17%	-8%	37.1	-2%		
Vacuum LPG systems	1.4	1.1	0.9	0.9	1.2	1.2	0.8	0.6	-20%	-25%	0.7	-5%		
Kits for towing hooks	5.8	6.1	5.8	6.3	4.5	7.6	5.1	4.8	-6%	-24%	4.3	11%		
Other products and services	3.0	2.6	2.2	3.2	3.1	2.2	2.1	2.0	-2%	-36%	1.8	16%		
Trade goods and materials	3.5	3.8	3.1	2.9	3.4	3.2	3.3	2.6	-19%	-9%	2.8	-4%		
COGS	38.6	42.2	36.0	32.6	39.7	37.1	35.1	30.1	-14%	-8%				
Gross profit	20.4	25.4	22.0	20.1	23.7	20.4	20.0	16.5	-18%	-18%	19.6	-16%		
<i>Gross margin</i>	<i>34.6%</i>	<i>37.5%</i>	<i>37.9%</i>	<i>38.2%</i>	<i>37.4%</i>	<i>35.5%</i>	<i>36.3%</i>	<i>35%</i>						
SG&A	8.2	9.8	9.8	10.6	9.0	9.1	8.7	9.7	11%	-8%				
EBIT	12.7	15.9	12.3	8.7	15.2	11.8	12.9	6.4	-51%	-27%	7.2	-11%	7.0	-9%
Depreciation	2.2	2.2	2.3	2.6	2.8	2.8	2.9	3.0	6%	18%				
EBITDA	14.8	18.1	14.6	11.3	17.9	14.6	15.8	9.4	-40%	-16%	9.3	2%	9.7	-3%
Financial items	-0.1	0.0	-0.5	-0.6	0.0	-0.3	0.5	-0.1						
Income Before Taxes	12.6	15.9	11.8	8.1	15.2	11.5	13.5	6.3	-53%	-22%				
Income Tax	2.2	3.3	2.3	1.6	2.8	2.1	2.3	1.0	-56%	-36%				
Net Income	10.4	12.6	9.5	6.5	12.4	9.4	11.1	5.3	-52%	-19%	5.3	0%	5.2	2%

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%
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Sell	poniżej 10%

IPOPEMA Research - (Oct 1 1 – Dec 31, 2019)

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

Rating history – AC

05/08/2019	BUY	PLN 53.0	PLN 46.6	Piotr Jusiński
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