

# Pekabex

## 2Q19 Results Overview

**OPINION:** Disappointing as company's results came lower versus our estimates at all lines. The management claims 1H19 results were impacted by weaker market environment.

The company published 2Q19 net profit at PLN 5.4m, down 20% q/q and 58% y/y, which is 32% below our PLN 8.0m estimate.

- Revenues.** The company reported 2Q19 revenues at PLN 169.1m, 19% below our assumptions and down 25.7% y/y and down 6.5% q/q. The average realized prefabricate price was lower by 14.8%y/y and 24.2%q/q and amounted to PLN 2.576/m<sup>3</sup> which is 24.2% below our assumptions. We note that each segment contributed to the negative y/y performance with the most severe y/y decline in Prefabrication contracts segment (its revenues decreased 38% y/y to PLN 85.8m, i.e. 24% below our assumptions driven by lower executed price). Construction services segment disappointed with revenues arriving at PLN 74.2m, down -6% y/y and 13% below our estimate. Scandinavian activity is still uninspiring with revenues at PLN 34.15m, significantly lower y/y and q/q.
- Gross profit.** Gross profit on sales arrived at PLN 30.1m, down 36% y/y. Gross profit on sales margin arrived in 2Q19 at 17.8% vs. 20.7% in 2Q18 and 15.8% expected by us.
- EBITDA.** The pressure from revenues came down to EBITDA which arrived at PLN 12.3m, down 44% y/y and was 15% below our estimates. EBITDA margin came at ca. 7.3% in 2Q19 vs. 9.7% in 2Q18 and 7.0% expected by us.
- Backlog.** The company estimates total backlog as of 30 June 2019 at PLN 481m (down 18% y/y), which includes PLN 277m of contracts to be realized in 2H19E (down 39% y/y vs. figure estimated for 2H18) and PLN 175m of contracts to be realized during next year (up 43% y/y respectively).

**PEKABEX  
HOLD**

**FV: PLN 9.27**

Price as of 6 Sep 2019: PLN 8.40

10.4% upside

**Analyst**

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Figure 1. Pekabex 2Q19 results overview

	2Q18	1Q19	2Q19A	y/y	q/q	IPOPEMA estimates	diff.	1H18	1H19A	y/y
<b>Sales</b>	<b>227.6</b>	<b>180.8</b>	<b>169.1</b>	<b>-25.7%</b>	<b>-6.5%</b>	<b>208.1</b>	<b>-18.8%</b>	<b>391.6</b>	<b>349.9</b>	<b>-10.7%</b>
Realization of prefabrication contract	139.3	96.6	85.8	-38.4%	-11.1%	113.3	-24.2%	272.5	182.4	-33.1%
Realization of construction services contracts	78.8	74.4	74.1	-5.9%	-0.3%	85.0	-12.8%	100.6	148.5	47.6%
Production services	8.3	8.8	8.2	-1.7%	-6.3%	8.8	-6.3%	16.2	17.0	4.5%
Others	1.3	1.1	0.9	-29.3%	-18.0%	1.1	-18.0%	2.3	2.0	-13.3%
Cost of goods & products sold	-180.4	-151.8	-138.9	-23.0%	-8.5%	-175.3	-20.7%	-309.8	-290.8	-6.2%
<b>Gross profit</b>	<b>47.2</b>	<b>29.0</b>	<b>30.1</b>	<b>-36.2%</b>	<b>3.9%</b>	<b>32.8</b>	<b>-8.2%</b>	<b>81.7</b>	<b>59.1</b>	<b>-27.7%</b>
SG&A	-24.3	-20.9	-18.7	-23.1%	-10.8%	-23.0	-18.8%	-45.3	-39.6	-12.5%
Other operating activity net	-4.1	0.5	-3.2	-23.2%	n/a	0.7	n/a	-4.2	-2.7	-34.9%
<b>EBIT</b>	<b>18.8</b>	<b>8.5</b>	<b>8.3</b>	<b>-56.0%</b>	<b>-3.0%</b>	<b>10.5</b>	<b>-21.2%</b>	<b>32.3</b>	<b>16.8</b>	<b>-48.0%</b>
prefabrication contracts	23.9	9.2	7.5	-68.5%	-18.1%	12.5	-39.7%	44.3	16.7	-62.4%
construction services contract	0.6	5.2	12.8	n/a	148.7%	5.1	151.4%	-0.6	18.0	n/a
production services	2.3	1.2	1.2	-48.9%	-6.3%	1.2	-5.6%	3.5	2.4	-32.3%
other	0.4	0.5	0.0	-88.6%	-90.4%	0.4	-89.6%	0.8	0.5	-33.3%
consolidation corrections	-8.2	-7.5	-13.3	60.8%	76.7%	-8.7	52.1%	-15.8	-20.8	31.8%
Net financial activity	-2.6	0.3	-1.2	-54.0%	n/a	-0.5	149.6%	-3.3	-0.9	-71.9%
<b>Pre-tax profit</b>	<b>16.2</b>	<b>8.8</b>	<b>7.1</b>	<b>-56.4%</b>	<b>-19.4%</b>	<b>10.0</b>	<b>-29.3%</b>	<b>29.0</b>	<b>15.9</b>	<b>-45.3%</b>
Tax	-3.3	-1.9	-1.6	-51.1%	-16.1%	-2.0	-18.5%	-6.2	-3.58	-42.1%
<b>Net income</b>	<b>12.9</b>	<b>6.8</b>	<b>5.4</b>	<b>-57.7%</b>	<b>-20.4%</b>	<b>8.0</b>	<b>-32.0%</b>	<b>22.8</b>	<b>12.3</b>	<b>-46.2%</b>
<b>EBITDA</b>	<b>22.1</b>	<b>12.4</b>	<b>12.3</b>	<b>-44.4%</b>	<b>-1.2%</b>	<b>14.5</b>	<b>-15.3%</b>	<b>38.9</b>	<b>24.7</b>	<b>-36.6%</b>
Average realized price in prefabrication segment (kPLN / m3)	3.0	3.4	2.6	-14.8%	-24.2%	3.4	-24.2%	2.9	3.0	1.8%
Prefabrication production volumes (000 m3)	46.1	28.4	33.3	-27.7%	17.2%	33.3	0.0%	93.9	61.7	-34.3%

Source: IPOPEMA Research, the Company

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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.  
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	Number	%
Buy	6	40%
Hold	6	40%

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Sell	3	20%
Total	15	100%

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## Rating History – Pekabex

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Date	Recommendation	Fair Value	Price at recommendation	Author
05/08/2019	HOLD	PLN 9.27	PLN 9.90	Robert Maj Mateusz Tront

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