

Pekabex

3Q19 Results Overview

The company published 3Q19 net profit at PLN 8.2m, down 54% y/y and up 51% q/q, which is 6.9% below our PLN 8.8m estimate.

- **Revenues.** The company reported 3Q19 revenues at PLN 178.9m, 14% below our assumptions and down 29.7% y/y but up 5.8% q/q. The average realized prefabricate price was lower by 15.4%y/y and 11.7%q/q and amounted to PLN 2.561/m³ which is 8.5% below our assumptions. Construction services segment disappointed with revenues arriving at PLN 51.6m, down 34.6% y/y and 39.3% below our estimate.
- **Gross profit.** Gross profit on sales arrived at PLN 29.3m, down 42% y/y. COGS arrived at PLN 149.6m, -26.7%y/y and 15.7% below our estimate.
- **EBITDA.** The pressure from revenues came down to EBITDA which arrived at PLN 13.4m, down 46.3% y/y and was 17.3% below our estimates. Lower result is due to the other operating activity which came in at negative PLN 2.2m compared to our positive assumption of PLN +0.7m.
- **Backlog.** The company estimates total backlog as of 30 September 2019 at PLN 648m (up 27.1% y/y), which includes PLN 243m of contracts to be realized in 4Q19 and PLN 340m of contracts to be realized during next year.

OPINION: Results came in below our assumptions on EBITDA level, however increasing backlog on 27%y/y looks solid. Despite lower average realized price in prefabrication segment the company managed to report higher profitability in the segment due to meticulous cost control. Construction services segment performance looks weak as the profitability on the EBIT level turned negative in the period.

Construction

Pekabex

HOLD

FV PLN 9.27

13.4% upside

Price as of 21 November 2019 PLN 8.20

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Figure 1. Pekabex 3Q19A results overview

Pekabex 3Q19A results overview	2Q18	2Q19	3Q19A	y/y	q/q	IPOPEMA estimates	diff.	9M18	9M19A	y/y
Sales	254.5	169.1	178.9	-29.7%	5.8%	207.9	-14.0%	646.1	528.7	-18.2%
Realization of prefabrication contract	139.3	96.6	102.4	-26.5%	6.0%	113.8	-10.1%	418.8	284.8	-32.0%
Realization of construction services contracts	78.8	74.4	51.6	-34.6%	-30.7%	85.0	-39.3%	199.3	200.1	0.4%
Production services	8.3	8.8	9.8	17.1%	11.6%	8.2	19.1%	24.3	26.7	9.8%
Others	1.3	1.1	15.2	na	na	0.9	na	3.6	17.1	na
Cost of goods & products sold	-203.9	-138.9	-149.6	-26.7%	7.6%	-177.4	-15.7%	-513.8	-440.3	-14.3%
Gross profit	50.5	30.1	29.3	-42.0%	-2.7%	30.5	-3.9%	132.3	88.4	-33.2%
SG&A	-24.8	-18.7	-17.7	-28.6%	-5.1%	-19.0	-6.8%	-70.0	-57.3	-18.2%
Other operating activity net	-4.8	-3.2	-2.2	-53.6%	na	0.7	na	-8.9	-4.9	-44.8%
EBIT	21.0	8.3	9.4	-55.2%	13.7%	12.2	-23.0%	53.3	26.2	-50.9%
prefabrication contracts	31.1	7.5	14.8	-52.5%	96.8%	10.2	44.3%	75.4	31.5	-58.3%
construction services contract	2.4	12.8	-0.4	n/a	n/a	10.2	n/a	1.8	17.5	n/a
production services	1.4	1.2	1.9	32.6%	63.2%	1.1	64.4%	5.0	4.3	-13.7%
other	0.4	0.0	1.0	na	na	0.0	na	1.1	1.5	31.3%
consolidation corrections	-14.3	-13.3	-7.8	-45.4%	-41.0%	-9.4	-17.0%	-30.1	-28.6	-5.0%
Net financial activity	1.6	-1.2	0.9	-46.0%	na	-1.2	na	-1.7	-0.1	-96.7%
Pre-tax profit	22.6	7.1	10.3	-54.6%	45.0%	11.0	-6.9%	51.6	26.1	-49.4%
Tax	-4.6	-1.6	-2.1	-55.2%	26.1%	-2.2	-6.6%	-10.8	-5.639	-47.7%
Net income	18.0	5.4	8.2	-54.4%	50.7%	8.8	-6.9%	40.8	20.5	-49.8%
EBITDA	25.0	12.3	13.4	-46.3%	9.3%	16.2	-17.3%	63.9	38.1	-40.4%
Average realized price in prefabrication segment (kPLN / m3)	3.02	2.90	2.561	-15.3%	-11.7%	2.80	-8.5%	2.91	2.80	-3.8%
Prefabrication production volumes (000 m3)	46.1	33.3	40.0	-13.2%	20.0%	40.0	0.0%	143.8	101.7	-29.3%

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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Rating History – Pekabex

Date	Recommendation	Fair Value	Price at recommendation	Author
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