

Pekabex

4Q19 Results Overview

The company published 4Q19 net profit at PLN 10.0m, down 3.6% y/y and up 21% q/q, which is 20.6% above our PLN 8.3m estimate.

- **Revenues.** The company reported 4Q19 revenues at PLN 243.3m, 30% above our assumptions and up 1.3% y/y and up 36.0% q/q. Revenues arrived higher than expected due to realization of large number of low margin contracts in construction services segment. The average realized prefabricate price was lower by 14.4%/y/y but higher 13.1%q/q and amounted to PLN 2.897/m³ which is 12.4% higher than our assumptions. Volumes in prefabrication segment were already reported beforehand and amounted to 41.8 k m³, +10.3%/y/y, +4.5%q/q.
- **Gross profit.** Gross profit on sales arrived at PLN 30.9m, down 3.2% y/y. COGS arrived at PLN 212.4m, +1.9%/y/y.
- **EBITDA.** EBITDA arrived at PLN 17.3m, -3.5% y/y, +29.4%q/q and was 21.7% higher than our estimates. Higher result is due to higher realized price in precast segment and higher number of realized contracts in construction services segment.
- **Backlog.** The company estimates total backlog as of 31 December 2019 at PLN 572m (down 11.7% q/q, +86%/y/y), which includes PLN 493m of contracts to be realized in 2020 and PLN 77m of contracts to be realized during next year.
- **Dividend:** The management does not recommend paying out dividend from 2019 net profit.

OPINION: Results came in above our assumptions on EBITDA level, however we believe this is already priced in as the share price is up 18% over the last 10 days. We like higher realized price in precast segment however we believe this may not hold in quarters to come as we expect continuous market pressure on prices. Higher realized contracts in 4Q19 in construction services explains somewhat the decreasing level of backlog. The company so far has not however reported signing any major contract since 10.12.2019 (letter of intent with Panattoni for Bielsko Biala warehouse). Lack of management's dividend recommendation may be disappointing for the market however this is in line with our assumptions.

Construction

Pekabex

SELL

FV PLN 6.00

30.8% downside

Price as of 16 April 2020 PLN 8.38

Analyst

Robert Maj
robert.maj@ipopema.pl
+ 48 22 236 92 90

Figure 1. Pekabex 4Q19A results overview

	4Q18	4Q19A	y/y	q/q	IPOPEMA 4Q19 estimates	diff.	2018	2019A	y/y
Sales	240.3	243.3	1.3%	36.0%	186.9	30.1%	886.3	772.0	-12.9%
Realization of prefabrication contract	128.1	121.0	-5.6%	18.2%	109.3	10.7%	546.9	405.8	-25.8%
Realization of construction services contracts	103.7	112.6	8.6%	118.4%	60.0	87.6%	303.0	312.7	3.2%
Production services	7.3	7.8	8.0%	-19.8%	9.8	-19.8%	31.6	34.6	9.4%
Real estate projects	0.0	1.1	na	-92.1%	7.0	-84.0%	0.0	15.4	na
Others	1.3	0.8	-39.6%	-17.0%	0.9	-17.0%	4.9	3.6	-25.4%
Cost of goods & products sold	-208.4	-212.4	1.9%	42.0%	-159.4	33.3%	-722.1	-652.7	-9.6%
Gross profit	31.9	30.9	-3.2%	5.4%	27.5	12.2%	164.2	119.3	-27.3%
SG&A	-21.3	-21.5	1.0%	21.4%	-17.0	26.5%	-91.3	-78.8	-13.7%
Other operating activity net	3.5	3.8	7.6%	n/a	-0.3	n/a	-5.4	-1.1	-79.2%
EBIT	14.2	13.2	-6.8%	40.5%	10.2	29.0%	67.5	39.4	-41.6%
prefabrication contracts	21.1	15.4	-27.2%	3.9%	9.8	56.2%	96.6	46.8	-51.5%
construction services contract	2.5	3.2	31.2%	na	1.2	170.0%	4.3	20.8	n/a
production services	0.6	0.5	-21.6%	-74.6%	1.4	-64.9%	5.6	4.8	-14.6%
Real estate projects	0.0	0.15	na	-81.7%	0.20	-24.5%	0.0	1.0	na
other	0.2	0.0	na	na	0.0	na	1.3	0.7	-45.8%
consolidation corrections	-10.2	-6.1	-40.5%	-22.2%	-2.4	na	-40.3	-34.7	-14.0%
Net financial activity	-1.7	-1.3	-21.9%	n/a	0.0	na	-3.4	-1.4	-59.0%
Pre-tax profit	12.5	11.9	-4.8%	15.6%	10.2	15.9%	64.1	38.0	-40.7%
Tax	-2.1	-1.9	-10.5%	-9.4%	-1.9	-4.1%	-12.9	-7.505	-41.7%
Net income	10.4	10.0	-3.6%	21.8%	8.3	20.6%	51.2	30.5	-40.4%
EBITDA	18.0	17.3	-3.5%	29.4%	14.3	21.7%	81.9	55.4	-32.3%
Average realized price in prefabrication segment (kPLN / m3)	3.38	2.90	-14.4%	13.1%	2.58	12.4%	3.01	2.83	-6.0%
Prefabrication production volumes (000 m3)	37.9	41.8	10.3%	4.5%	33.3	25.4%	181.7	143.5	-21.0%

Source: Company, IPOPEMA Research

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The definitions of terms used in the document include:

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	2	29%
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Rating History – Pekabex

Date	Recommendation	Fair Value	Price at recommendation	Author
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