

# Pekabex

## Shining star in a dark sky

We initiate coverage of Pekabex with a HOLD recommendation and a Fair Value of PLN 9.27, which implies 6.3% downside. The firm is heavily dependent on the macro situation in Poland and its influence on construction activity, which has slowed down in the last few months. With the decelerating pace of Polish economic growth, we believe construction activity will continue to slow down, as the correlation between these two factors stands at almost 0.9. On the other hand, Pekabex predominantly operates in the niche segment of pre-fabricated concrete production, which is characterized by a short backlog and is therefore less exposed to any potential margin squeeze stemming from increases in the cost base. In addition, the firm remains a dividend payer. The planned investment in a production facility in Gdansk will add another product to Pekabex's portfolio, namely filigran slabs; however, this will also dilute the average product selling price and is set to stretch the company's balance sheet. All in all, we expect the firm to post EBITDA of PLN 45.9m (down 43.9% y/y) in 2019E, PLN 41.2m (down 10.4% y/y) in 2020E and PLN 46.0m (up 11.7% y/y) in 2021E, with the downward pressure stemming from declining demand and rising costs for personnel, materials and energy.

**GDP and construction growth to decelerate going forward:** We assume Polish GDP growth to decelerate to 4.3% y/y in 2019 from 5.2% y/y in 2018. We expect Poland's construction sector to grow by 4% y/y in 2019 after 9.2% y/y growth in 2018 and the superb 12% y/y growth in 2017. Construction output data for June came as an unpleasant surprise. According to Statistics Poland (GUS), construction output decreased by 0.7% y/y in June versus the PAP consensus estimate of 3.4% y/y growth. Both the current and projected backlog in the construction industry indicates a persistent slowdown. We expect the sector to slow down by 2.44% from current levels in the remainder of the year due to decelerating industrial and export activity. We expect a further slowdown of growth in 2020 and 2021 with growth rates at 1.62% and 1.65% respectively.

**EBITDA to decrease going forward:** We expect Pekabex's EBITDA to decrease at a CAGR of 10.9% in 2018-2023, which we link to the steep fall in operating profit in 2019. We estimate EBITDA at PLN 45.9m (down 43.9% y/y) in 2019, as the firm currently executes less profitable contracts in prefabrication and has a higher share in general contractors' contracts. (The latter are, by definition, less profitable than production). We expect the EBITDA line to fall by 10.4% y/y to PLN 41.2m in 2020E due to the rising cost base and decreasing average realized price in prefabrication production. Thereafter we expect EBITDA to rise 11.7% y/y in 2021, driven by the inflow of new EU proceeds and a stabilizing cost base as the economy stagnates.

Chart 1: Summary of Financial Data

Pekabex financial data, (PLN m)	2015	2016	2017	2018	2019E	2020E	2021E
Revenue	350.7	505.4	623.3	886.3	827.7	976.5	1,000.2
EBIT	29.6	40.9	35.0	67.5	30.0	21.4	24.5
EBITDA	36.4	51.9	47.9	81.9	45.9	41.2	46.0
Net profit	24.3	34.3	25.8	51.2	22.9	15.2	17.8
EPS	1.1	1.4	1.1	2.1	0.9	0.6	0.7
DPS	0.1	0.1	0.1	0.2	0.3	0.2	0.1
P/E (x)	9.2	7.0	9.3	4.7	10.6	16.0	13.7
EV/EBITDA (x)	5.6	5.2	5.8	2.7	7.5	8.7	7.6

Source: Company, IPOPEMA Research

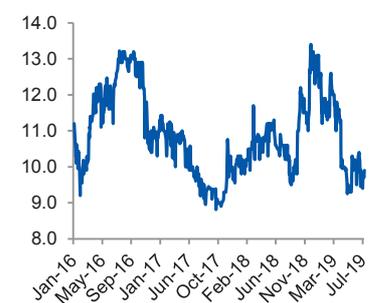
## PEKABEX HOLD

Coverage initiation

**FV: PLN 9.27**

Price as of 02 Aug. 2019: PLN 9.90

6.3% downside



Key ratios	2019E	2020E
EBITDA Margin	5.5%	4.2%
EBIT Margin	3.6%	2.2%
ROE	7.8%	5.0%
Net debt / EBITDA	-0.23	2.23

Share data	
Number of shares (m)	24.6
Market Cap (€ m)	56.5
12M Avg daily volume (k)	11.1
12M Avg daily turnover (€ m)	0.03
52W High / Low	13.60/9.20
WIG Weight (%)	0.03
Reuters	PBX.WA
Bloomberg	PBX.PW

Performance	
1M	0.5%
3M	2.2%
12M	-3.6%

Shareholders	
Opoka II FIZ	39.8%
Cantorelle Limited	11.6%
Fernik Holdings Limited	8.3%
NN OFE	5.6%

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## Valuation method

Our valuation approach for construction companies uses two methods: discounted cash flow (DCF) and the dividend discount model (DDM). We calculate our Fair Value for Pekabex by taking the average of the two results. The two methods are aligned, as they are both based on the same financial model. The model assumes cashflow projections over a 10-year period for the firm based on our forecasts for the construction market, GDP in Poland as well as other parameters including volume growth, product mix changes, changes in the financing model, efficiency gains, production cost increases, capital expenditures and working capital needs. Our dividend projections are a derivative of the earnings forecasts in our financial model. Payout levels are determined by corporate policy in the short-term (20%) and then drifts towards a target payout ratio of 60% in the long-term. The DDM is also a useful tool for understanding P/E multiples  $[P/E = (D/E)/(k-g)]$ , with differences explained by a combination of earnings growth and dividend payout. Both our DCF and DDM models have terminal values with a growth rate of 2%.

Our assumptions for cost-of-equity were established by using a variable risk-free rate (equal to the 12-month forward interest rate) and adding a 5.0% equity risk premium each year. The 12-month forward interest rates were derived from the yield curve of the 2019-2024 period. Thereafter, we use a flat 4.5% rate, which represents our estimate of a through-the-cycle interest rate for Emerging Europe. We also consistently use a beta of one (1) so as not to distort the WACC and the comparability of our valuations.

**Table 12: DCF, PLN m**

PLN m	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Terminal Year
Revenues	827.7	976.5	1,000.2	1,031.7	1,064.2	1,107.8	1,151.7	1,197.5	1,244.6	1,294.5	1,294.5
<b>EBIT</b>	<b>30.0</b>	<b>21.4</b>	<b>24.5</b>	<b>22.4</b>	<b>22.0</b>	<b>27.3</b>	<b>36.3</b>	<b>41.9</b>	<b>52.2</b>	<b>60.1</b>	<b>60.1</b>
Tax on EBIT	6.2	3.2	3.7	3.8	4.4	5.5	7.3	8.4	10.4	12.0	12.0
NOPLAT	24.0	16.9	20.8	19.1	18.3	21.8	29.0	33.5	41.7	48.1	48.1
Depreciation	15.9	19.8	21.5	23.2	24.0	25.1	26.7	28.4	30.1	32.1	32.1
Capital expenditures	-70.4	-25.5	-28.3	-24.2	-25.1	-26.2	-26.9	-28.6	-30.4	-32.2	-32.2
Change in working capital	-78.6	-30.8	2.0	-5.5	-6.0	-9.0	-9.7	-9.4	-10.5	-10.6	-10.6
<b>Free cash flow</b>	<b>-109.1</b>	<b>-19.5</b>	<b>16.1</b>	<b>12.5</b>	<b>11.2</b>	<b>11.7</b>	<b>19.1</b>	<b>23.9</b>	<b>31.0</b>	<b>37.4</b>	<b>37.4</b>
Risk-free rate	2.12%	2.17%	2.24%	2.30%	2.36%	2.41%	4.50%	4.50%	4.50%	4.50%	4.50%
Equity risk premium	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Beta	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Cost of equity	7.12%	7.17%	7.24%	7.30%	7.36%	7.41%	9.50%	9.50%	9.50%	9.50%	9.50%
Cost of debt (pre-tax)	4.6%	4.7%	4.7%	4.8%	4.9%	4.9%	7.0%	7.0%	7.0%	7.0%	7.0%
Effective tax rate	20.7%	15.0%	15.0%	17.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
After-tax cost of debt	3.7%	4.0%	4.0%	4.0%	3.9%	3.9%	5.6%	5.6%	5.6%	5.6%	5.6%
Weight of debt	30.6%	31.1%	29.4%	26.9%	24.6%	22.8%	19.9%	17.1%	15.7%	15.6%	15.6%
Weight of equity	69.4%	68.9%	70.6%	73.1%	75.4%	77.2%	80.1%	82.9%	84.3%	84.4%	84.4%
<b>WACC</b>	<b>6.1%</b>	<b>6.2%</b>	<b>6.3%</b>	<b>6.4%</b>	<b>6.5%</b>	<b>6.6%</b>	<b>8.7%</b>	<b>8.8%</b>	<b>8.9%</b>	<b>8.9%</b>	<b>8.9%</b>
Discount fact	0.94	0.89	0.84	0.79	0.74	0.69	0.64	0.58	0.54	0.49	0.45
PV of FCF	-102.8	-17.3	13.4	9.8	8.3	8.1	12.2	13.9	16.6	18.4	16.9
Sum of FCF PV's	-19.4										
FCF terminal growth rate	2.0%										
Terminal value	552.8										
PV of terminal value	250.2										
Unw ind of discount	8.3										
Enterprise value	239.1										
Net debt 2018	-19.2										
Employees liabilities	-15.2										
Dividend paid out in 2019 (ytd terms)	-7.6										
Equity value	235.4										
<b>Per share value (PLN)</b>	<b>9.6</b>										

Source: IPOPEMA Research, company data

**Table 13: DDM, PLN m**

PLNm	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	Terminal Year
Dividends	4.6	3.0	4.5	4.0	7.6	9.7	13.4	15.8	22.0	27.7	27.7
Discount rate	7.1%	7.2%	7.2%	7.3%	7.4%	7.4%	9.5%	9.5%	9.5%	9.5%	9.5%
Discount factor	0.93	0.87	0.81	0.76	0.71	0.66	0.60	0.55	0.50	0.46	0.42
Discounted dividend	4.3	2.7	3.6	3.0	5.3	6.4	8.0	8.6	11.0	12.7	11.6
Sum of DD PV's	65.6										
DIV terminal growth rate	2.0%										
Terminal value	376.8										
PV of terminal value	157.1										
Discount unw ind	-2.3										
Equity value	220.4										
<b>Per share value (PLN)</b>	<b>9.0</b>										

Source: IPOPEMA Research, company data

Table 14: Fair Value as average of DCF and DDM

PLN m	
DCF	9.6
DDM	9.0
<b>Average</b>	<b>9.3</b>

Source: IPOPEMA Research, company data

## Relative valuation

In a comparative valuation of construction companies our preferred metric is EV/EBITDA, as it neutralizes the impact of differences in capital structure and taxes, includes differences in the level of indebtedness and focuses on the cash generation of the companies. This is important as many construction companies used to be loss-makers at a net level during the downturn in the years 2011-2013. Compared to the international peers' median of 2020E EV/EBITDA of 5.5x, Pekabex trades at 8.7x, which constitutes a 58.6% premium. In our opinion the average multiple for Pekabex should be lower, as despite the firm operating in a niche precast market it is not immune to the looming slowdown on Poland's construction market. Pekabex trades at a 66.2% premium to Polish peers on 2020 multiples. However, this is justified by heavy margin compression which roiled the general construction market in recent quarters and dampened the outlook for subsequent years.

Table 15: Relative valuation of Pekabex to international construction companies

PRICE (LCU)	Ticker	NAME	P/E			EV/EBITDA			Dividend yield		
			2019	2020	2021	2019	2020	2021	2019	2020	2021
20.1	ABGV.VI	FORR	8.4	7.4	6.7	4.5	4.3	4.1	6.3	6.4	6.3
29.5	STRV.VI	STRABAG	9.0	9.3	8.9	2.3	2.2	2.2	4.4	4.5	4.9
20.7	WBSV.VI	WIENERBERGER	10.5	9.3	8.9	5.8	5.4	5.3	3.0	3.4	3.7
19.6	TTN.AT	TITAN CEMENT	21.6	16.0	13.8	8.4	7.6	7.2	1.3	1.9	2.2
23.3	TKFEN.IS	TEKFEN HOLDING	4.8	6.1	6.1	2.3	3.5	3.4	5.9	5.4	5.0
5.9	ENKALIS	ENKA INSAAT	14.8	14.3	10.6	8.0	7.7	4.8	3.5	3.4	4.0
6.6	CIMSA.IS	CIMSA CIMENTO	12.4	NaN	NaN	7.3	5.9	NaN	NaN	7.9	27.0
208.0	BALF.L	BALFOUR BEATTY PLC	9.5	8.2	7.4	6.3	5.6	5.4	3.3	4.0	4.6
20.6	B5AG.DE	BAUER AG	10.1	8.5	8.0	4.9	4.6	4.4	0.7	1.2	1.4
11.6	FCC.MC	FOMENTO DE CONSTRUCCIONES Y CONTRATAS SA	15.2	14.7	13.5	8.2	7.9	7.8	3.6	3.8	3.7
103.3	HOTG.DE	HOCHTIEF AG	10.7	10.2	9.7	3.8	3.6	3.5	6.1	6.5	6.5
1.1	OHL.MC	OBRA SCON HUARTE LAIN SA	NaN	NaN	NaN	6.5	2.7	1.5	0.0	1.1	0.0
2.3	SCYR.MC	SACYR SA	6.0	5.2	4.5	9.5	8.4	8.3	4.0	4.2	6.5
181.4	SKAb.ST	SKANSKA AB	13.3	13.8	13.3	8.4	8.9	9.0	3.8	4.0	4.4
32.9	BOUY.PA	BOUYGUES SA	11.5	10.3	9.4	5.8	5.5	5.2	5.4	5.5	5.4
1.8	MOTA.LS	MOTA ENGL SGPS SA	12.8	8.6	NaN	4.8	4.4	NaN	2.8	5.7	8.1
36.9	ACS.MC	ACS ACTIVIDADES DE CONSTRUCCION Y SERVICIOS SA	10.8	10.4	8.6	4.9	4.7	4.7	5.4	5.7	6.2
96.9	ANA.MC	ACCIONA SA	19.7	19.7	17.9	8.3	8.2	7.8	4.0	4.2	4.1
23.8	FER.MC	FERROVIAL SA	85.8	38.8	36.4	82.3	37.3	34.7	3.1	3.1	3.2
89.9	FOUG.PA	EFFAGE SA	12.1	11.1	10.4	7.1	6.9	6.7	3.1	3.5	3.8
26.1	GBFG.DE	BILFINGER SE	15.1	9.6	8.2	7.0	5.2	4.5	4.1	4.7	5.4
5.0	YIT.HE	YIT OYJ	10.3	9.8	9.6	9.7	10.1	9.0	5.9	6.2	6.5
1.8	SALLMI	SALINI IMPREGILO SPA	8.7	7.7	7.0	4.6	4.3	4.2	4.9	4.9	5.2
94.2	SGEF.PA	VINCI SA	15.6	14.2	13.3	10.9	10.2	9.8	3.2	3.5	3.9
		<b>MEDIAN</b>	<b>11.5</b>	<b>10.0</b>	<b>9.4</b>	<b>6.7</b>	<b>5.5</b>	<b>5.3</b>	<b>3.8</b>	<b>4.2</b>	<b>4.7</b>
9.9	PBX.WA	PEKABEX	10.6	16.0	13.7	7.5	8.7	7.6	3.1	1.9	1.3
		Premium/discount to median									
		<b>Pekabex</b>	<b>-7.9%</b>	<b>59.7%</b>	<b>45.2%</b>	<b>12.0%</b>	<b>58.6%</b>	<b>43.8%</b>	<b>-16.9%</b>	<b>-55.0%</b>	<b>-73.6%</b>

Source: IPOPEMA Research, company data, Reuters

Table 16: Relative valuation of Pekabex to domestic construction companies

PRICE (LCU)	Ticker	NAME	P/E			EV/EBITDA			Dividend yield		
			2019	2020	2021	2019	2020	2021	2019	2020	2021
125.8	BDXP.WA	BUDIMEX	13.5	10.5	9.9	6.8	5.6	5.4	6.5	5.4	7.6
2.3	TRKP.WA	TRAKCJA POLSKA	NaN	NaN	NaN	5.6	5.6	5.6	0.0	2.2	NaN
8.1	ELB.WA	ELKTROBUDOWA	NaN	NaN	NaN	3.9	2.6	NaN	29.1	7.1	NaN
13.0	ERBL.WA	ERBLUD	NaN	NaN	NaN	4.8	4.9	4.9	NaN	NaN	NaN
		<b>MEDIAN</b>	<b>13.5</b>	<b>10.5</b>	<b>9.9</b>	<b>5.2</b>	<b>5.3</b>	<b>5.4</b>	<b>6.5</b>	<b>5.4</b>	<b>7.6</b>
9.9	PBX.WA	PEKABEX	10.6	16.0	13.7	7.5	8.7	7.6	3.1	1.9	1.3
		Premium/discount to median									
		<b>Pekabex</b>	<b>-21.3%</b>	<b>52.1%</b>	<b>37.5%</b>	<b>44.7%</b>	<b>66.2%</b>	<b>40.0%</b>	<b>-51.6%</b>	<b>-64.8%</b>	<b>-83.4%</b>

Source: IPOPEMA Research, company data, Reuters

## Risks to Fair Value

### Demand volatility

With its asset-heavy business model, Pekabex is fully exposed to local demand for prefabricated construction. Weak demand for such products during 2000-2003 forced the company to begin bankruptcy proceedings. Precast elements are extensively used in the construction of industrial buildings and warehouses, for which demand is directly linked to macro perspectives and the incentives present for private investors to invest.

### Unfavourable trend in prices of materials and services

Precast elements have gained popularity due to technological advances (i.e. the growing strength and flexibility of precast elements), the partly automatized production process and the cost advantage over steel construction (due to lower workforce use). Adverse trends such as rising raw material costs (concrete costs have risen more than 50% in the last three years) or inflation of transport services costs may hamper the company's profitability.

### Potential rise in competition

Given the company's superior profitability, arising from complex solutions and a growing scale of operations, several local competitors might attempt to copy Pekabex's business model, which could potentially increase competition in the company's most important segments.

### Workforce shortages

A shortage of skilled labour in the construction industry could result in Pekabex having insufficient employees to operate its business. There is currently a shortage of qualified skilled labour in the Polish construction industry. Any worsening of the labour shortage situation would represent a significant risk for Pekabex: an insufficient workforce would have an adverse impact on productivity, costs and the company's ability to maintain or expand production. On the one side, the company has a natural advantage compared to classical construction firms due to the extensive automatization of its production processes. The new production facility in Gdansk (to be opened by the end of 2019) needs only 15 workers to operate. But a further decline in the unemployment rate in Poland could raise concerns in the general contractor segment and squeeze margins even further.

### Wage pressure

In Poland wages increased by 5.3% in June 2019. If the trend persists it can keep the pressure on the company's results.

### Rise in receivables

The biggest threat to Pekabex would be a rapid increase in receivables stemming from the construction contract, which would cast a shadow over the profitability of the executed contracts. As of now, Pekabex's backlog is fairly short (around 6M or less on average) hence we do not expect a short squeeze to threaten the company's liquidity.

### Economy slowdown

Estimates for the Polish, Swedish and German economies point to lower growth rates going forward. As a result, some investments could be suspended which would raise questions about the level of Pekabex's future backlog. Decreasing EU funds are likely to accentuate the problem.

## Financials

**Table 28: Pekabex Income Statement (PLN m)**

INCOME STATEMENT (PLN m)	2015	2016	2017	2018	2019E	2020E	2021E
<b>Sales</b>	<b>350.7</b>	<b>505.4</b>	<b>623.3</b>	<b>886.3</b>	<b>827.7</b>	<b>976.5</b>	<b>1,000.2</b>
Cost of goods & products sold	-290.6	-423.6	-507.6	-722.1	-710.4	-843.5	-860.8
<b>Gross profit</b>	<b>60.0</b>	<b>81.8</b>	<b>115.7</b>	<b>164.2</b>	<b>117.4</b>	<b>133.1</b>	<b>139.4</b>
SG&A	-37.9	-57.1	-81.4	-91.3	-89.9	-114.8	-118.0
Other operating activity net	7.4	16.1	0.7	-5.4	2.6	3.0	3.1
<b>EBIT</b>	<b>29.6</b>	<b>40.9</b>	<b>35.0</b>	<b>67.5</b>	<b>30.0</b>	<b>21.4</b>	<b>24.5</b>
Net financial activity	-0.7	-1.0	-2.7	-3.4	-1.2	-3.4	-3.5
Shares in affiliates	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax profit</b>	<b>28.8</b>	<b>39.8</b>	<b>32.3</b>	<b>64.1</b>	<b>28.9</b>	<b>17.9</b>	<b>21.0</b>
Tax	-4.5	-5.5	-6.5	-12.9	-6.0	-2.7	-3.1
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income</b>	<b>24.3</b>	<b>34.3</b>	<b>25.8</b>	<b>51.2</b>	<b>22.9</b>	<b>15.2</b>	<b>17.8</b>
<b>EBITDA</b>	<b>36.4</b>	<b>51.9</b>	<b>47.9</b>	<b>81.9</b>	<b>45.9</b>	<b>41.2</b>	<b>46.0</b>

Source: IPOPEMA Research, company data, Bloomberg

**Table 29: Pekabex Balance Sheet (PLN m)**

BALANCE SHEET (PLN m)	2015	2016	2017	2018	2019E	2020E	2021E
<b>Long-term assets</b>	<b>175.0</b>	<b>246.1</b>	<b>244.2</b>	<b>259.6</b>	<b>315.4</b>	<b>322.0</b>	<b>328.9</b>
Tangible assets	155.2	225.9	224.3	236.7	289.9	293.6	297.6
Goodwill	12.3	12.3	12.3	12.3	12.3	12.3	12.3
Investment properties	4.3	4.0	4.0	4.3	4.3	4.3	4.3
Receivables and loans	1.6	2.1	1.7	2.7	4.1	4.9	5.0
Others	1.6	1.8	1.8	3.6	4.8	6.9	9.7
<b>Current assets</b>	<b>138.7</b>	<b>196.1</b>	<b>235.5</b>	<b>383.5</b>	<b>375.7</b>	<b>419.4</b>	<b>432.1</b>
Inventories	17.7	30.1	44.5	63.6	81.7	80.9	75.5
Receivables from construction agree	5.6	18.3	20.7	21.1	34.0	32.1	32.9
Trade receivables and other	67.6	123.4	151.9	201.3	249.5	294.3	301.4
Cash	44.0	22.4	15.7	95.2	8.3	9.8	20.0
Other	3.9	1.9	2.7	2.2	2.2	2.3	2.3
<b>Total assets</b>	<b>313.7</b>	<b>442.2</b>	<b>479.7</b>	<b>643.1</b>	<b>691.1</b>	<b>741.3</b>	<b>761.0</b>
<b>Equity</b>	<b>179.2</b>	<b>212.2</b>	<b>237.6</b>	<b>285.4</b>	<b>300.9</b>	<b>311.6</b>	<b>326.3</b>
<b>Long-term liabilities</b>	<b>53.4</b>	<b>79.3</b>	<b>77.8</b>	<b>83.2</b>	<b>82.0</b>	<b>86.8</b>	<b>87.5</b>
Interest bearing	19.3	42.7	43.9	55.8	55.8	55.8	55.8
Leasing	4.9	6.8	6.5	9.6	9.5	11.2	11.5
Deferred tax	13.8	14.2	12.0	3.4	3.3	3.9	4.0
Provisions	6.3	5.6	5.5	0.6	0.6	0.7	0.7
Other liabilities	9.1	10.0	9.9	13.8	12.9	15.2	15.5
<b>Short-term liabilities</b>	<b>81.2</b>	<b>150.7</b>	<b>164.4</b>	<b>274.6</b>	<b>308.2</b>	<b>343.0</b>	<b>347.2</b>
Interest bearing	4.0	7.2	7.7	20.2	55.0	70.3	68.9
Liabilities from construction contract	0.0	0.0	15.6	39.1	38.9	46.2	47.2
Liabilities to employees	6.6	10.6	11.3	15.2	14.9	17.7	18.1
tax/financial liabilities	1.1	3.6	3.4	14.7	14.4	17.1	17.5
Leasing	2.9	3.7	4.2	4.7	4.1	4.9	5.0
Provisions	1.2	4.3	6.2	11.4	10.8	12.7	13.0
Other	0.1	0.1	0.1	0.7	0.7	0.7	0.7
Trade liabilities	65.1	121.1	116.0	168.5	169.3	173.3	176.9
<b>Total liabilities &amp; equity</b>	<b>313.7</b>	<b>442.2</b>	<b>479.7</b>	<b>643.1</b>	<b>691.1</b>	<b>741.3</b>	<b>761.0</b>

Source: IPOPEMA Research, company data, Bloomberg

**Table 30: Pekabex Cash Flow Statement (PLN m)**

<b>CASH FLOW STATEMENT (PLN m)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
Net profit	24.3	34.3	25.8	51.2	22.9	15.2	17.8
Depreciation	6.8	11.0	12.9	14.4	15.9	19.8	21.5
Change in net working capital	-10.9	-16.2	-33.2	24.9	-78.6	-30.8	2.0
Other items	-9.8	-10.8	2.7	8.4	-3.5	9.5	1.3
<b>Operating cash flow</b>	<b>10.4</b>	<b>18.3</b>	<b>8.3</b>	<b>98.8</b>	<b>-43.3</b>	<b>13.8</b>	<b>42.6</b>
Purchases of tangibles & intangibles	-18.4	-11.4	-7.1	-32.3	-70.4	-25.5	-28.3
Others	1.3	3.3	0.0	-0.4	0.0	0.0	0.0
<b>Investing cash flow</b>	<b>-17.1</b>	<b>-8.1</b>	<b>-7.1</b>	<b>-32.6</b>	<b>-70.4</b>	<b>-25.5</b>	<b>-28.3</b>
<b>Free cash flow</b>	<b>-6.6</b>	<b>10.2</b>	<b>1.2</b>	<b>66.2</b>	<b>-113.7</b>	<b>-11.7</b>	<b>14.4</b>
Change in interest-bearing debt	18.0	19.9	1.7	24.5	34.8	15.3	-1.4
Dividends	-1.9	-2.2	-2.7	-3.9	-7.6	-4.6	-3.0
Other	-2.6	0.0	-2.8	-2.5	0.0	0.0	0.0
<b>Financing cash flow</b>	<b>13.5</b>	<b>17.7</b>	<b>-3.8</b>	<b>18.1</b>	<b>27.2</b>	<b>10.7</b>	<b>-4.5</b>
<b>Total cash flow</b>	<b>6.9</b>	<b>27.9</b>	<b>-2.6</b>	<b>84.3</b>	<b>-86.5</b>	<b>-1.0</b>	<b>9.9</b>
Cash at beginning of period	36.4	44.0	22.4	15.7	95.2	8.3	9.8
<b>Cash at end of period</b>	<b>44.0</b>	<b>22.4</b>	<b>15.7</b>	<b>95.2</b>	<b>8.3</b>	<b>9.8</b>	<b>20.0</b>

Source: IPOPEMA Research, company data, Bloomberg

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 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	%
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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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