

## Sniezka

## 4Q22 results below consensus

**Opinion. Negative.** Even though the 4Q22 is seasonally not a crucial quarter, company disappointed with its results on all of the lines. Ukraine sales did not surprise positively this time though the level of margin is still impressive as the market was the only one out of three (together with Poland and Hungary) to note a positive EBIT. Going forward 2023 is expected to be challenging demand-wise, but it is already priced-in in our view. We count on good performance of Ukraine segment that should return to higher sales together with return of the season. 2022 net result makes us comfortable with our assumption of PLN 1.5 DPS (50% payout ratio).

**Revenues.** 4Q22 sales came 9% below consensus estimate and 12% below our estimate. The biggest negative surprise came from Ukraine with revenues almost PLN 10m below our forecast. It looks like we underestimated the effect of more intense bombings in the period. Poland and Hungarian sales were 6% and 9% below our estimate due to persisting lower consumer demand and depreciated Hungarian currency.

**Gross margin.** First margin was the lowest in 2022 as it is usually the case seasonally. However, it was flat y/y what may suggest weakening effect of cost inflation.

**SG&A.** Sales cost were 4% above our estimate, while management costs 6% below and overall SG&A cost was more or less in line with our estimate.

**EBITDA.** Reported EBITDA was 60% lower than consensus (PLN 7.1m below). Taking into account PLN 1.6m negative impact of other operating income/costs adjusted EBITDA would amount to PLN 6.4m – 46% below consensus. Other operating costs consisted mostly of fixed assets and receivables write-downs.

**Net profit.** Net loss was just PLN 2.2m lower than consensus estimate mainly due to positive surprise on negative tax income and lower than expected financing costs.

**Cash flows.** Sniezka showed a decent level of cash flows with FCF up by PLN 13m y/y, mostly due to lower than expected capex. It amounted to PLN 53.3m vs. our estimate of PLN 60m. Company planned capex for 2023 amounts to PLN 42m vs our estimate of PLN 45m.

**Debt.** Company managed to decrease net debt slightly by little over PLN 6m q/q to PLN 282.5m, but due to lower EBITDA net debt/EBITDA ratio increased slightly to 2.7x.

**Dividend capacity.** 2022 net profit was only PLN 2.8m short of our estimate from the latest report. We expected PLN 1.5 DPS assuming 48% payout ratio. In our view PLN 1.5 DPS is still manageable to be paid out by the company.

Industrials

Sniezka

BUY

FV PLN 75.87

10% upside

Price as of March 14, 2023 PLN 69.00

## Analyst

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Figure 1. Sniezka quarterly results

PLN m	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	y/y	q/q	IPOP	% diff.	Cons 4Q22 vs cons.	Actual
Revenues	182.6	226.9	240.8	144.5	189.9	213.5	247.6	140.7	-3%	-43%	160.6	-12%	153.9	-9%
Poland	126.6	151.5	156.2	92.8	137.5	146.5	161.6	91.6	-1%	-43%	97.4	-6%		
Hungary	31.0	41.8	44.2	27.5	34.6	36.6	41.9	23.7	-14%	-43%	26.1	-9%		
Ukraine	15.7	20.4	26.6	17.6	8.8	17.1	27.2	15.1	-14%	-44%	25.0	-40%		
Other	9.3	13.2	13.9	6.6	8.9	13.3	16.9	10.3	57%	-39%	12.0	-14%		
COGS	106.3	136.0	145.3	92.0	116.9	128.0	153.1	89.5	-3%	-42%	103.5	-13%		
<b>Gross profit</b>	<b>76.3</b>	<b>90.9</b>	<b>95.5</b>	<b>52.5</b>	<b>73.0</b>	<b>85.5</b>	<b>94.6</b>	<b>51.2</b>	-3%	-46%	<b>57.1</b>	-10%		
<i>Gross margin</i>	<i>41.8%</i>	<i>40.1%</i>	<i>39.7%</i>	<i>36.4%</i>	<i>38.4%</i>	<i>40.1%</i>	<i>38.2%</i>	<i>36.4%</i>	<i>0pp</i>	<i>-1.8pp</i>	<i>35.6%</i>	<i>0.8pp</i>		
Other operating income	1.4	0.7	0.5	-0.3	1.5	3.4	1.2	0.2						
Other operating cost	2.5	0.1	0.7	-1.3	2.6	0.5	0.6	1.8						
Sales cost	31.8	44.9	43.8	31.4	31.9	37.7	41.6	31.5	0%	-24%	30.1	4%		
Management cost	21.4	22.7	21.0	23.1	22.1	26.2	21.7	22.7	-2%	5%	24.2	-6%		
<b>EBIT</b>	<b>22.0</b>	<b>24.0</b>	<b>30.6</b>	<b>-1.1</b>	<b>17.8</b>	<b>24.5</b>	<b>31.8</b>	<b>-4.7</b>	323%	-115%	<b>2.6</b>	na	<b>2.1</b>	na
Depreciation	8.8	8.8	9.2	9.2	8.8	9.3	9.2	9.5	3%	3%	10.4			
<b>EBITDA</b>	<b>30.8</b>	<b>32.7</b>	<b>39.8</b>	<b>8.1</b>	<b>26.6</b>	<b>33.8</b>	<b>41.0</b>	<b>4.8</b>	-41%	-88%	<b>12.9</b>	-63%	<b>11.9</b>	-60%
EBITDA margin	17%	14%	17%	6%	14%	16%	17%	3%	-2.2pp	-13.1pp				
<b>adj. EBITDA</b>	<b>31.9</b>	<b>32.2</b>	<b>40.0</b>	<b>7.1</b>	<b>27.8</b>	<b>30.9</b>	<b>40.4</b>	<b>6.4</b>	-10%	-84%	<b>12.9</b>	-50%	<b>11.9</b>	-46%
adj. EBITDA margin	17%	14%	17%	5%	15%	14%	16%	5%	-0.4pp	-11.8pp				
Financing income	0.1	1.5	0.5	1.0	0.1	0.3	2.5	2.5	149%	0%				
Financing cost	0.9	0.7	1.2	-0.7	3.7	6.1	7.8	4.3	-759%	-45%				
<b>Income Before Taxes</b>	<b>21.3</b>	<b>25.0</b>	<b>30.1</b>	<b>0.5</b>	<b>14.2</b>	<b>18.8</b>	<b>26.5</b>	<b>-6.5</b>	-1379%	-124%				
Income Tax	3.9	3.3	4.8	0.4	2.2	7.8	4.8	-3.0	-804%	-163%				
Tax %	18.5%	13.2%	16.0%	85.6%	15.7%	41.3%	18.1%	47.1%	-38.5pp	29pp				
<b>Net Income (attr. Parent's s/holders)</b>	<b>16.3</b>	<b>20.2</b>	<b>23.3</b>	<b>-0.1</b>	<b>11.1</b>	<b>8.9</b>	<b>19.9</b>	<b>-3.2</b>	6214%	-116%	<b>-0.4</b>	722%	<b>-1.0</b>	222%
Net margin	8.9%	8.9%	9.7%	0.0%	5.8%	4.2%	8.0%	-2.3%	-2.3pp	-10.3pp				
<b>Cash flows</b>														
OCF	-8.1	48.5	67.3	33.8	-51.9	27.0	100.7	22.4	-34%	na				
Capex	-24.6	-17.7	-35.4	-32.8	-18.2	-16.9	-10.2	-8.0	-76%	-22%				
FCF	-32.7	30.9	31.9	1.0	-70.1	10.1	90.4	14.5	1324%	na				
<b>Balance sheet</b>														
Net debt	267.3	290.4	262.6	277.5	352.4	339.8	288.8	282.5						
Net debt/EBITDA	1.9	2.4	2.4	2.5	3.3	3.1	2.6	2.7						

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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	Number	%
Buy	58	75%
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Total	77	100%

#### Rating History – Sniezka

Date	Recommendation	Fair Value	Price at recommendation	Author
14/12/2022	BUY	PLN 75.87	PLN 61.40	Michał Pilch
04/07/2022	SELL	PLN 53.27	PLN 75.00	Michał Pilch
14/12/2021	SELL	PLN 64.61	PLN 77.80	Michał Pilch
08/09/2021	SELL	PLN 71.39	PLN 83.40	Michał Pilch
08/12/2020	U/R	-	-	-
10/07/2020	BUY	PLN 97.30	PLN 86.00	Piotr Jusiński