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Cognor: 2020 Q4 Results

Rating: buy | target price: PLN 2.89 | current price: PLN 2.70

COG PW; COGP.WA | Industrials, Poland

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Cognor's 2020 Q4 EBITDA exceeded our forecast by 51% with barely any help from one-time profits (PLN 0.4m). Thanks to strong operating cash flow, ending 2020 FY net debt proved lower than anticipated. Cognor is observing improving demand at the moment. The Company would like to resume dividend payments as soon as it reaches an agreement on long-term financing.

- Primary production in Q4 2020 decreased 14% from the same period a year earlier, but sales of secondary metal increased 21%.
- Recurring EBITDA at PLN 23.2m registered a year-over-year rebound of 20%. Reported EBITDA received a one-time boost of PLN 0.4m.

- FIFO effect was +PLN 4.7m in Q4 2020 vs. -PLN 10m in Q4 2019. Like in the quarters prior, Cognor received subsidies in the period to offset increasing costs of carbon emissions.
- Operating cash flow in Q4 2020 amounted to PLN 86.5m vs. PLN 81.5m in the corresponding year-ago period. Net debt as of 31 December 2020 ended up lower at PLN 164m, equivalent to just 1.4x 12M EBITDA. The lower-than-expected leverage ratio indicates that our valuation of Cognor should go up by PLN 0.26 per share.

2020 Q4 results vs. expectations

(PLN m)	4Q'20	4Q'19	change	4Q'20E	differ.	2020E	2019	change
Revenue	444.9	466.1	-4.6%	436.7	1.9%	1,733.2	1,901.6	-8.9%
EBITDA	23.5	14.2	66.0%	15.6	50.6%	114.2	100.8	13.3%
EBITDA margin	5.3%	3.0%	-	3.6%		6.6%	5.3%	
EBIT	11.3	2.6	342.0%	3.6	212.0%	66.5	54.6	21.9%
Net profit	7.1	-5.1	-238.7%	0.5	1297.3%	32.7	19.1	71.0%

2020 Q4 figures vs. historical quarterly results

(PLN m)	1Q'19	2Q'19	3Q'19	4Q'19	1Q'20	2Q'20	3Q'20	4Q'20	change	4Q'20E	differ.
Revenue	519.7	516.3	399.5	466.1	460.1	456.0	372.3	444.9	-5%	436.7	2%
EBITDA (adj.)	25.1	36.0	12.9	19.3	28.0	28.9	11.5	23.2	20%	15.6	48%
One-time events	1.7	6.9	4.0	0.5	2.5	10.0	9.7	0.4	-24%	0.0	-
Operating cash flow	-48.9	80.9	28.9	81.5	40.3	52.6	26.7	86.5	-	-34.4	-
Net debt	331.9	286.0	285.6	225.9	260.0	226.0	218.3	164.0	-	210.1	-22%

Source: Cognor, mBank

List of abbreviations and ratios contained in the report:

EV – net debt + market value (EV – economic value)
EBIT – Earnings Before Interest and Taxes
EBITDA – EBIT + Depreciation and Amortisation
PBA – Profit on Banking Activity
P/CE – price to earnings with amortisation
MC/S – market capitalisation to sales
EBIT/EV – operating profit to economic value
P/E – (Price/Earnings) – price divided by annual net profit per share
ROE – (Return on Equity) – annual net profit divided by average equity
P/BV – (Price/Book Value) – price divided by book value per share
Net debt – credits + debt papers + interest bearing loans – cash and cash equivalents
EBITDA margin – EBITDA/Sales

OVERWEIGHT (OW) – a rating which indicates that we expect a stock to outperform the broad market
NEUTRAL (N) – a rating which indicates that we expect the stock to perform in line with the broad market
UNDERWEIGHT (UW) – a rating which indicates that we expect the stock to underperform the broad market

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HOLD – we expect that the rate of return from an investment will range from -5% to +5%
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