

Thursday, April 07, 2022 | Monthly Market Outlook, an excerpt

## Comprenum buy (reiterated)

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The declines in Comprenum's share price were largely related to the general sentiment in the stock market and negative reports from tender proceedings. It is particularly disappointing to learn that the consortium did not win the tender for the modernization of 90 train cars, which was the largest tender in which the consortium took part.

On the other hand, the Company managed to secure a contract for the periodic repairs of 14 railcars amounting to PLN 38m net of which 60% is to go to Comprenum. As a result, we reduce forecasts of revenue from this segment by half in 2022.

We have also decided to lower our forecasts in subsequent periods, at which point the consortium is unable to handle such large orders, as demonstrated by the loss of the tender to modernize 90 railcars.

However, the railway segment is not the Group's main source of revenue, so the worse prospects for the sector do not affect the Company's financial position to a large extent.

Taking this into account, we are lowering our target price for CPR but we maintain a buy recommendation after an excessive downward correction.

<b>Current Price</b>	3.20 PLN	<b>Upside</b>
<b>9M Target Price</b>	4.87 PLN	<b>+52.2%</b>

	rating	target price	issued
<b>new</b>	<b>buy</b>	<b>4.87 PLN</b>	<b>2022-04-07</b>
old	buy	5.32 PLN	2022-01-17

  

Key Metrics		CPR PW	vs. WIG
Ticker	CPR PW	1M Price Chng	-2.4%
ISIN	PLPZBDT00013	YTD Price Chng	-17.1%
Outst. Stock (m)	44.8	ADTV 1M	0.1 mln PLN
MC (PLN m)	143.5	ADTV 6M	0.2 mln PLN
EV (PLN m)	192.2	EV/EBITDA 12M fwd	4.8 +18.4%
Free Float	31.6%	EV/EBITDA 5Y avg	4.1 premium

### Earnings Projections

(PLN m)	2020	2021P	2022P	2023P	2024P
Revenue	194	190	242	333	290
EBITDA adj.	51	48	49	55	42
EBITDA margin	26.1%	24.9%	20.4%	16.4%	14.5%
EBIT adj.	42	39	41	45	31
Net income adj.	25	29	29	30	18
P/E adj.	5.8	5.0	4.9	4.7	8.1
P/B	0.6	0.6	0.5	0.5	0.5
EV/EBITDA adj.	4.2	3.8	3.9	4.3	6.1
DPS	0.00	0.00	0.00	0.16	0.20
DYield	0.0%	0.0%	0.0%	5.1%	6.3%

  

Forecast Update (% change)	2022P	2023P	2024P
construction	-10.5%	-9.0%	0.0%
RES	-3.4%	-25.0%	-33.3%
rail industry	-50.0%	-44.4%	-65.0%
EBITDA	+12.1%	-2.2%	-4.5%
net income	+27.1%	+0.7%	-11.6%
DPS	0.0%	0.0%	0.0%
OCF	+9.0%	-66.0%	+27.1%
net debt	+94.9%	+165.8%	+233.3%

### Financial Highlights

(PLN m)	2020	2021P	2022P	2023P	2024P
housing	7	2	0	0	0
construction	159	160	170	191	100
GSMR	83	139	170	191	0
RES	0	0	21	68	92
rail industry	0	0	12	20	21
<b>Operating cash flow</b>	<b>33</b>	<b>38</b>	<b>24</b>	<b>7</b>	<b>23</b>
D&A	8	8	8	10	11
Working capital	-16	-2	-18	-39	-14
<b>Investing cash flow</b>	<b>-1</b>	<b>-5</b>	<b>-30</b>	<b>-40</b>	<b>-30</b>
CAPEX	-1	-5	-30	-40	-30
<b>Financing cash flow</b>	<b>-8</b>	<b>-24</b>	<b>7</b>	<b>-11</b>	<b>-13</b>
Dividends/Buyback	0	0	0	-7	-9
FCF	34	43	54	47	53
FCF/EBITDA	67%	90%	109%	86%	126%
OCF/EBITDA	65%	80%	49%	13%	54%

### Key Balance Sheet Figures

(PLN m)	2020	2021P	2022P	2023P	2024P
Assets	524	530	570	595	607
Fixed assets	208	205	226	257	276
Equity	222	251	280	303	311
Minority interests	0	0	1	4	7
Net debt	69	39	49	93	113
Net debt/EBITDA (x)	137%	83%	99%	170%	270%
Net debt/Equity (x)	31%	16%	17%	31%	36%

### Relative Valuation Summary

	P/E			EV/EBITDA		
	22P	23P	24P	22P	23P	24P
Minimum	5.4	6.0	8.5	2.4	2.8	2.7
Maximum	14.9	11.7	11.0	8.8	8.7	8.1
Median	8.1	9.5	9.9	5.3	5.1	7.3
Weight	33%	33%	33%	33%	33%	33%

### DCF Analysis

(PLN m)	22P	23P	24P	25P	26P	27P	28P	29P	30P	31P	+
construction	170	191	100	100	100	100	100	100	100	100	100
RES	21	68	92	138	184	184	184	184	184	184	184
rail industry	12	20	21	22	23	24	40	40	40	40	40
Revenue	242	333	290	360	407	408	424	424	424	424	425
EBITDA	49	55	42	53	54	54	55	55	55	53	54
EBITDA margin	20.4%	16.4%	14.5%	14.8%	13.3%	13.2%	13.0%	12.9%	12.9%	12.4%	12.7%
EBIT	41	45	31	41	42	42	43	43	43	43	44
Tax	8	8	5	7	8	8	8	8	8	8	8
CAPEX	-30	-40	-30	-10	-10	-10	-10	-10	-10	-10	-5
Working capital	-18	-39	-14	-38	-36	0	-1	0	0	0	0
FCF	-6	-33	-7	-2	1	36	36	37	37	35	36
PV FCF	-5	-27	-5	-1	0	22	20	18	16	0	0
WACC	8.8%	8.5%	8.2%	8.1%	7.9%	8.2%	8.4%	8.7%	9.1%	9.5%	10.0%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%

### DCF Summary

(PLN m)	
Beta	1.4
FCF perp. growth rate	2%
PV FCF	249.7
Net debt	69.2
Other adj.	0.0
<b>Value per share (PLN)</b>	<b>4.03</b>

### Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	5.04
DCF Val.	50%	4.03
Implied Price		4.53
Cost of equity (9M)		7.4%
<b>9M Target Price</b>		<b>4.87</b>

**List of abbreviations and ratios used by mBank:**

**EV** (Enterprise Value) – Equity Value + Net Debt; **EBIT** – Earnings Before Interest and Taxes; **EBITDA** – EBIT + Depreciation & Amortisation; **Net Debt** – Borrowings + Debt Securities + Interest-Bearing Loans - Cash and Cash Equivalents; **P/E** (Price/Earnings) – Price Per Share Divided by Earnings Per Share; **P/CE** (Price to Cash Earnings) – Price Per Share Divided by Earnings + Depreciation & Amortisation; **P/B** (Price to Book Value) – Price Per Share Divided by Book Value Per Share; **P/CF** (Price to Cash Flow) – Price Divided by Cash Flow from Operations; **ROE** (Return on Equity) – Earnings Divided by Shareholders' Equity; **ROCE** (Return on Capital Employed) – EBIT x (Average Assets - Current Liabilities); **ROIC** (Return on Invested Capital) – EBIT x (1-Tax Rate) / (Average Equity + Minority Interest + Net Debt); **FCFF** (Free Cash Flow to Firm) – Cash Flow from Operations - CAPEX - Lease Payments; **FCFE** (Free Cash Flow to Equity) – Free Cash Flow to Firm - Net Interest Expense (incl. Debt + Leases) - Lease Payments

**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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**BUY** – we expect that the rate of return from an investment will be at least 15%  
**ACCUMULATE** – we expect that the rate of return from an investment will range from 5% to 15%  
**HOLD** – we expect that the rate of return from an investment will range from -5% to +5%  
**REDUCE** – we expect that the rate of return from an investment will range from -5% to -15%  
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**Relative** – based on a comparison of valuation multipliers of companies from a given sector; simple in construction, reflects the current state of the market better than DCF; weak points include substantial variability (fluctuations together with market indices) as well as difficulty in the selection of the group of comparable companies.

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**NAV** – valuation based on equity value, one of the most frequently used method in case of developing companies; the weak point of the method is that it does not factor in future changes in revenue/profits of a company.

**mBank issued the following investment recommendations for the Company in the 12 months prior to this publication**

Rating	buy	buy	hold
Rating date	2022-04-07	2022-01-17	2021-09-06
Target price	4.87	5.32	5.24
Price on rating	3.20	3.98	5.16

**Comparable Companies Used In Relative Valuation Models**

**Compreum** Alumetal, Amica, Boryszew, Cognor, Famur, Ferro, Forte, Grupa Kęty, Mangata, Newag, PKP Cargo, Stalprodukt, Wielton

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