

Monday, January 17, 2022 | Investment Strategy 2022, an excerpt

Comprenum buy (upgraded)

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Pozbud changed its name to Comprenum at the start of the new year, completing its transition from a producer of window frames to a holding company with a diversified revenue streams that range from construction of digital communication systems for railways, to modernization of railway cars, development of wind and solar power plants, energy storage, and a lithium-ion battery factory.

In the year to 30 September 2021, Comprenum's revenue fell short of expectations but margins surprised on the upside, which is why we are lowering revenue forecasts and raising EBITDA forecasts by 5%.

The horizon for value estimates in Comprenum's case have to be extended beyond the forward 12 months as the company is not likely to generate revenues from the new segments, such as railcar modernization and RES, until late 2022.

Comprenum is taking a major opportunity with its latest venture, a lithium-ion battery factory and energy storage facility set to be built jointly with Singapore's Durapower. The factory is expected to benefit from exemptions up to PLN 89m through its location in the Łódź Special Economic Zone. To claim the exemptions, the factory will have to generate EBIT of approx. PLN 39m over a period of 12 years, an amount equivalent to 108% of the Comprenum's total projected EBIT in 2022.

We have a bullish view on Comprenum, however investors should be mindful that, since part of the expected future cash flow hinges on projects in the making, the company a higher-risk investment.

We upgrade POZ from hold to buy after recent price declines and we raise our target price by 0.08gr to PLN 5.32.

Financial Highlights

(PLN m)	2019	2020	2021P	2022P	2023P
housing	29	7	2	0	0
construction	110	159	160	190	221
GSMR	96	83	139	170	191
RES	0	0	0	64	90
rail industry	0	0	0	24	36
Operating cash flow	6	33	31	-15	22
D&A	7	8	8	8	8
Working capital	-26	-16	-2	-53	-25
Investing cash flow	-7	-1	-5	-8	-5
CAPEX	-3	-1	-5	-8	-5
Financing cash flow	-20	-8	-24	7	-10
Dividends/Buyback	0	0	0	0	-6
FCF	8	34	36	-7	27
FCF/EBITDA	23%	67%	93%	-17%	49%
OCF/EBITDA	15%	65%	80%	-35%	40%

DCF Analysis

(PLN m)	21P	22P	23P	24P	25P	26P	27P	28P	29P	30P	+
construction	160	190	221	100	100	100	100	100	100	100	100
RES	0	64	90	138	184	184	184	184	184	184	184
rail industry	0	24	36	60	60	60	60	60	60	60	60
Revenue	189	338	422	388	444	446	448	450	452	454	457
EBITDA	39	44	56	44	51	52	52	52	52	52	50
EBITDA margin	20.7%	13.0%	13.2%	11.5%	11.6%	11.6%	11.5%	11.5%	11.5%	11.5%	11.0%
EBIT	31	36	47	36	43	44	44	44	45	45	45
Tax	6	6	9	6	8	8	8	8	8	8	8
CAPEX	-5	-8	-5	-5	-5	-5	-5	-5	-5	-5	-5
Working capital	-2	-53	-25	-31	-37	0	0	0	0	0	0
FCF	26	-23	17	2	2	38	39	39	39	39	37
PV FCF	26	-21	14	2	1	24	22	20	17	16	
WACC	9.2%	8.9%	8.9%	8.8%	8.7%	9.0%	9.3%	9.7%	10.0%	10.0%	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%

Current Price 3.98 PLN
9M Target Price 5.32 PLN
Upside +33.7%

	rating	target price	issued
new	buy	5.32 PLN	2022-01-17
old	hold	5.24 PLN	2021-09-06
Key Metrics			
			POZ PW vs. WIG
Ticker	POZ PW	1M Price Chng	+0.8% -6.0%
ISIN	PLPZBDT00013	YTD Price Chng	+3.1% -1.6%
Outst. Stock (m)	44.8	ADTV 1M	0.2 mln PLN
MC (PLN m)	178.5	ADTV 6M	0.3 mln PLN
EV (PLN m)	228.6	EV/EBITDA 12M fwd	6.9 +73.7%
Free Float	-	EV/EBITDA 5Y avg	4.0 premium

Earnings Projections

(PLN m)	2019	2020	2021P	2022P	2023P
Revenue	197	194	189	338	428
EBITDA adj.	37	51	39	44	55
EBITDA margin	18.8%	26.1%	20.7%	13.0%	12.8%
EBIT adj.	30	42	31	36	47
Net income adj.	16	25	22	23	30
P/E adj.	6.5	7.2	8.1	7.7	5.9
P/B	0.7	0.8	0.7	0.7	0.6
EV/EBITDA adj.	4.6	4.9	5.8	6.0	4.8
DPS	0.00	0.00	0.00	0.00	0.13
DYield	0.0%	0.0%	0.0%	0.0%	3.3%
Forecast Update (% change)			2021P	2022P	2023P
construction			-5.9%	0.0%	+22.8%
RES			0.0%	0.0%	+40.6%
rail industry			0.0%	0.0%	-50.0%
EBITDA			+5.4%	+0.1%	+7.0%
net income			+10.0%	+0.0%	+6.9%
DPS			0.0%	0.0%	0.0%
OCF			+16.0%	-30.4%	+5.4%
net debt			-8.1%	-13.5%	-16.1%

Key Balance Sheet Figures

(PLN m)	2019	2020	2021P	2022P	2023P
Assets	360	524	523	559	587
Fixed assets	168	208	205	204	201
Equity	151	222	244	267	292
Minority interests	0	0	0	3	6
Net debt	65	69	46	73	65
Net debt/EBITDA (x)	174%	137%	117%	165%	118%
Net debt/Equity (x)	43%	31%	19%	27%	22%

Relative Valuation Summary

	P/E			EV/EBITDA		
	21P	22P	23P	21P	22P	23P
Minimum	3.6	7.3	6.6	1.6	2.4	3.2
Maximum	22.4	16.8	17.0	7.9	8.6	8.5
Median	8.9	9.6	10.2	6.3	6.2	5.5
Weight	33%	33%	33%	33%	33%	33%

DCF Summary

(PLN m)	
Beta	1.3
FCF perp. growth rate	2%
PV FCF	310.0
Net debt	69.2
Other adj.	0.0
Value per share (PLN)	5.37

Valuation Summary

(PLN)	Weight	Price
Relative Val.	50%	4.53
DCF Val.	50%	5.37
Implied Price		4.95
Cost of equity (9M)		7.4%
9M Target Price		5.32

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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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%

SELL – we expect that an investment will bear a loss greater than 15%

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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

Compreum

Rating	buy	hold
Rating date	2022-01-17	2021-09-06
Target price	5.32	5.24
Price on rating	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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