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## Comarch: Forecast of 2021 Q1 Results

Rating: buy | target price: PLN 267.00 | current price: PLN 226.00

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**Comarch is slated to release its 2021 first-quarter results on Friday, 21 May 2021. We are expecting quarterly EBITDA to show a modest, 1.1% rise from the same year-ago period when, to be fair, Comarch achieved very strong results with EBITDA coming in at PLN 66.8m. We maintain a positive outlook for Comarch**

- We are expecting 2021 Q1 revenue from domestic sales to post 8% y/y growth led by solutions for the financial sector and the retail & services sector, where orders have been on the rise since Q4 2020. This should be accompanied by higher sales to the public sector driven by continued e-Government rollout.
- Export revenues as well are likely to be higher than in Q4 2020 (DACH +6%, non-DACH + 4%).
- All told we expect Comarch's 2021 revenue to total PLN 401.2m (+6.2% y/y)
- Gross margin is projected at 32.9%.
- SG&A expenses will probably approximate PLN 59.9m (+PLN 2m y/y).
- We expect to see a PLN 7.0m loss from other financing activity in Q1'21 vs. PLN -6.2m in Q1'20, along with neutral effects of financing activity.
- Net profit for the quarter might come in at PLN 30.5m.

### 2021 Q1 estimates

| (PLN m)        | 1Q'21E | 1Q'20 | YoY    |
|----------------|--------|-------|--------|
| Revenue        | 401.2  | 377.8 | 6.2%   |
| EBITDA         | 67.5   | 66.8  | 1.1%   |
| EBITDA margin  | 16.8%  | 17.7% | -      |
| EBIT           | 46.5   | 44.9  | 3.6%   |
| Pre-tax profit | 46.5   | 20.9  | 122.0% |
| Net profit     | 30.5   | 14.2  | 115.3% |

Source: Comarch, E - estimates by 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

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**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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**Economic profits** – discounting of future economic profits; the weak point is high sensitivity to changes in the assumptions made in the valuation model.

**Discounted Dividends (DDM)** – discounting of future dividends; the weak point is high sensitivity to changes in the assumptions as to future dividends made in the valuation model.

**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.

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