

Monday, July 22, 2019 | special comment

Cognor – Forecast of 2019 Q2 Results

Rating: accumulate | target price: PLN 1.84 | current price: PLN 1.78

COG PW; COGP.WA | Metals, Poland

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Cognor is set to report the year's weakest quarterly results for Q2 2019, showing declines vis-à-vis the year-ago levels as well as compared to the previous quarter, led by lower sales volumes (-3% y/y) and prices, combined with higher costs of energy and labor. To be fair, the Company had warned of the profit drop in May. Looking at the increasing cost advantage of the more efficient EAF steel producers over BOF steelmaking, with the global steel industry expected to regain momentum in the second half of the year, Cognor's prospects after the sub-par second quarter are looking much brighter. The 2019 Q2 earnings release is slated for August 14th.

2019 Q2 estimates

(PLN m)	Q2'19E	Q2'18	change	2019E	YTD
Revenue	487.4	535.7	-9.0%	2,004.2	50.3%
EBITDA	21.0	62.1	-66.1%	108.5	44.1%
margin	4.3%	11.6%		5.4%	
EBIT	9.5	51.0	-81.3%	61.7	39.9%
Net profit	4.1	16.0	-74.3%	33.9	38.0%

Source: Cognor, estimates by Dom Maklerski mBanku



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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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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