

Monday, 2 May 2022 | special comments

Comprenum: 2021 Q4 Results

Recommendation: buy | target price: PLN 4.87 | current price: PLN 2.70

CPR.PW; CPR.WA | Industrials, Poland

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On higher-than-expected revenues achieved across all core business lines, the profits of Comprenum for the full fiscal FY2021 missed the mark amid soaring costs, most notably costs of services, which skyrocketed 88% from 2020 to a staggering PLN 110m. Total costs for the year were up by 64%.

We expect a negative reaction today to the disappointing FY2021 earnings.

- In the **fourth quarter of 2021**, Comprenum generated **revenue** of PLN 61.4m, provided largely by the segment of Building Services, where the Company recognizes revenues from the GSM-R contract. FY2021 full-year GSM-R revenue amounted to PLN 154m. However the Framing Business as well increased sales in the period, bringing in PLN 11.6m from international markets.
- EBITDA** missed the market by a wide margin in Q4 2021, falling 59% short of our estimate at PLN 5.2m – about half the amount posted in the corresponding period in 2020. As a

result, the full-year EBITDA posted a year-over-year slump of 19% due to curbed effects of a building project, coupled with higher costs of fulfilling the GSM-R contract.

- Profit margins** in Building Services contracted to 25% in 2021 from 37% in 2020 while margins in the Framing segment shifted from negative to a positive 11.5%.
- After stable financing costs and a PLN 1m higher gain from financing activity, the FY2021 **net profit** of Comprenum came in at PLN 25.9m after a 6% decline from the previous year.
- Comprenum ended 2021 with **negative cash flow** from operations, investing, and financing activity, and so the ending net cash position for the year registered a reduction of PLN 31.6m to PLN 15.5m.
- Net debt** stood at PLN 94.1m as of 31 December 2021, with the net debt/EBITDA ratio at 2.13 – a fairly high value that nevertheless fits safely within loan covenants.

2021 FY and Q4 results of Comprenum vs. expectations

(PLN m)	4Q'21	4Q'20	y/y	4Q'21E	differ.	2021	YTD*
revenue	61.4	44.3	39%	49.5	24%	202	106%
EBITDA	5.2	9.4	-45%	12.7	-59%	44	86%
EBITDA margin		21%		26%		22%	
EBIT	4.1	7.2	-43%	9.9	-59%	36	86%
net profit	1.7	4.0	-58%	7.1	-77%	26	83%

Source: Comprenum, E - mBank estimates; *Year-to-date result as a percentage our full-year estimate

Quarterly revenues of Comprenum by operating segment

(PLN m)	Q1'20	Q2'20	3Q'20	4Q'20	Q1'21	Q2'21	Q3'21	4Q'21	y/y	4Q'21E	differ.	YTD*
Door & Window Frames	8.3	5.1	7.6	6.6	7.0	3.5	9.5	12.0	20%	8.0	50%	114%
Real Estate	1.1	3.2	2.3	0.8	0.0	1.9	0	1.0	-35%	0.5	93%	119%
Building Services	29.1	39.5	34.4	55.7	38.6	40.9	39.6	48.5	-26%	41.0	18%	105%

Source: Comprenum, E - mBank estimates; *Year-to-date result as a percentage our full-year estimate

List of abbreviations and ratios contained in the report:

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

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