

Thursday, July 23, 2020 | special comment

Cognor – Forecast of 2020 Q2 Results

Rating: hold | target price: PLN 0.94 | current price: PLN 0.99

COG PW; COGP.WA | Metals, Poland

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- Cognor's sales in Q2 2020 fell by an estimated 14% compared to the same period a year earlier, led mainly by the Huta Stali Jakościowych (HSJ) unit, where sales might have dropped as much as 17% due to a slump in orders for steel rod from the auto industry. Sales by the Ferrostal steelworks will have decreased at a less rapid rate of ca. 13% owing to continuously strong demand for construction steel rebar.
- Cognor will most likely recognize a one-time gain of PLN 8m in Q2 2020 thanks to coronavirus aid received from the state, however positive base effects might not apply considering that in Q2 2019 the Company also booked one-time state compensation for high energy prices.
- Adjusted for one-offs, from PLN 36m in the same period a year earlier, Cognor's recurring 2020 Q2 EBITDA is likely to show a decrease of 15% – a less significant setback than the losses the steel industry at large has suffered in the wake of the coronavirus epidemic.
- **Depending on how Cognor sees its prospects for the second half of the year, there is a chance that we will revise upward our FY2020 expectations for the Company after the Q2 earnings call.**

2020 Q2 estimates

(PLN m)	2Q'20E	2Q'19	change	2020E	YTD*
Revenue	402.1	516.3	-22.1%	1,630.0	52.9%
EBITDA	30.4	42.9	-29.1%	70.1	87.0%
margin	7.6%	8.3%		6.1%	
EBIT	18.9	31.6	-39.9%	22.1	171.8%
Net income	12.3	16.1	-24.1%	2.1	713.6%

Source: Cognor, E - mBank estimate; *as a percentage of our full-year forecast

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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