

Thursday, July 23, 2020 | special comment

Comarch – Forecast of 2020 Q2 Results

Rating: hold | target price: PLN 220.30 | current price: PLN 214.00

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Comarch is expected to generate EBITDA of PLN 48.3m in Q2 2020, indicating an increase of more than 7% from the same period a year earlier – an achievement which should lend more confidence to market investors about the earnings prospects for the rest of the year. Assuming our estimates are correct, Comarch will fulfill upwards of 54% of our FY EBITDA forecast and deliver close to 52% of the net profit target in the year to 30 June.

- Comarch most likely grew 2020 Q2 revenue by 8% relative to the year ago period, driven by improved sales of solutions for the financial sector and for the manufacturing and power industries.

- The sales margin might show a small decline of 1.2pp.
- We expect to see lower SG&A expenses in Q2 2020 than a year ago at an estimated PLN 60.9m, and we anticipate one-time charges of PLN 7.0m, including allowances for delays in payments from customers due to the coronavirus pandemic.
- Financing activity in the second quarter most likely generated a one-time gain of PLN 6.5m, thanks mainly to favorable exchange-rate movements.
- After all this, the quarterly net profit might come in at PLN 24.1m.

2020 Q2 estimates vs. prior year and FY2020 targets

| (PLN m) | 2Q'20E | 2Q'19 | Y/Y | 2020E | YTD |
|----------------|--------|-------|-------|---------|-------|
| Revenue | 353.9 | 327.8 | 8.0% | 1,463.0 | 50.0% |
| EBITDA | 48.3 | 45.1 | 7.2% | 212.1 | 54.3% |
| EBITDA margin | 13.65% | 13.7% | - | 14.5% | - |
| EBIT | 27.3 | 25.2 | 8.3% | 125.3 | 57.6% |
| Pre-tax profit | 33.8 | 26.7 | 26.4% | 100.3 | 54.6% |
| Net profit | 24.1 | 20.2 | 19.2% | 73.8 | 51.9% |

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

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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HOLD – we expect that the rate of return from an investment will range from -5% to +5%
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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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