

Tuesday, January 28, 2020 | special comment

Cognor - Forecast of 2019 Q4 Results

Rating: hold | target price: PLN 1.25 | current price: PLN 1.27

COG PW; COGP.WA | Metals, Poland

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Cognor will report lower results for Q4 2019 than in the comparable period a year earlier due to tighter prices and squeezed margins on rebar and long steel products. Rebar profits in the period were hurt by rising prices of scrap steel. Cognor will most likely end FY2019 with net debt of approximately PLN 220m (2x EBITDA).

2019 Q4 estimates

(PLN m)	4Q'19E	4Q'18	change	2019E	YTD*
Revenue	424.3	471.2	-10.0%	1,919.8	97%
EBITDA	16.9	24.0	-29.7%	110.4	93%
margin	4.0%	5.1%			
EBIT	5.4	13.0	-58.6%	64.3	87%
Net income	3.1	-5.0	-	35.5	92%

Source: Cognor, mBank; *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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HOLD – we expect that the rate of return from an investment will range from -5% to +5%
REDUCE – we expect that the rate of return from an investment will range from -5% to -15%
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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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