

Tuesday, 26 April 2022 | special comments

Cognor: Forecast of 2022 Q1 Results

Recommendation: buy | target price: PLN 6.75 | current price: PLN 6.00

COG.PW; COG.P.WA | Metallurgical Industry, Poland

Analyst: Antoni Kania +48 22 438 24 03 | +48 509 595 736

The first quarter of 2022 in the steel sector had a clear line of demarcation between the periods before and after Russia's 24 February invasion of Ukraine.

In the "before" period, the momentum in the European steel sector was on a downward slope but by March it was heading upwards again after steel imports from Ukraine, Belarus, and Russia stopped, resulting in a tighter supply of finished steels as well as, even more notably, furnace feedstocks and semi-finished steels. This led to an upturn in prices that will have given a boost to the quarterly profits of Cognor.

We expect first-quarter EBITDA to show 10% growth from the previous quarter to a record PLN 181m, followed probably by equally stellar figures in the second quarter.

- First-quarter production by the Ferrostal rebar unit was lower in Q1 2022 than in the quarter before, but it was still a high volume. Sales prices in the quarter averaged PLN 4,400 per tonne, more than enough to cover the higher costs of smelter inputs.
- The first-quarter sales profits of HSJ rolled steels were shaped by similar trends of strong volumes and successful cost pass-through
- Consequently, we expect to see 2022 Q1 revenue of PLN 863m.
- EBITDA margin most likely improved relative to Q1 2021 to a level comparable with that posted in the quarter before.
- Cognor will deliver an impressive 31% of our FY2022 full-year EBITDA and net profit forecasts in Q1 if our estimates are correct, but this will not prompt us to make upward revisions in anticipation of a slower second half of the year

Forecast of 2022 Q1 results of Cognor

(PLN m)	Q1'22E	Q1'21	change	2022E	YTD*
revenue	863	584	48%	3442	25%
EBITDA	181	80.1	126%	605	30%
EBITDA margin	21%	13.7%		18%	
EBIT	168	66.8	152%	535	31%
net profit	133	43	209%	422	31%

Source: Cognor, E - mBank estimates



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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mBank S.A.

Prosta 18
00-850 Warszawa
<http://www.mbank.pl/>

Research Department

Kamil Kliszcz
director
+48 22 438 24 02 | +48 667 770 837
kamil.kliszcz@mbank.pl
energy, power generation

Piotr Poniatowski
+48 22 438 24 09 | +48 509 603 046
piotr.poniatowski@mbank.pl
gaming

Antoni Kania
+48 22 438 24 03 | +48 509 595 736
antoni.kania@mbank.pl
industrials, chemicals, metals

Michał Konarski
+48 22 438 24 05 | +48 515 025 640
michal.konarski@mbank.pl
banks, financials

Mikołaj Lemańczyk
+48 22 438 24 07 | +48 501 663 511
mikolaj.lemanczyk@mbank.pl
banks, financials

Paweł Szpigiel
+48 22 438 24 06 | +48 509 603 258
pawel.szpigiel@mbank.pl
media, IT, telco, e-commerce

Janusz Pięta
+48 22 438 24 08 | +48 506 065 659
janusz.pieta@mbank.pl
retail, e-commerce

Sales and Trading

Traders

Piotr Gawron
director
+48 22 697 48 95
piotr.gawron@mbank.pl

Andrzej Sychowski
+48 22 697 48 46
andrzej.sychowski@mbank.pl

Jędrzej Łukomski
+48 22 697 49 85
jedrzej.lukomski@mbank.pl

Łukasz Płaska
+48 22 697 47 90
lukasz.plaska@mbank.pl

Tomasz Jakubiec
+48 22 697 47 31
tomasz.jakubiec@mbank.pl

Sales, Foreign Markets

Marzena Łempicka-Wilim
deputy director
+48 22 697 48 82
marzena.lempicka-wilim@mbank.pl

Piotr Brożyna
+48 22 697 48 47
piotr.brozyna@mbank.pl

Private Client Sales

Kamil Szymański
director
kamil.szymanski@mbank.pl

Jarosław Banasiak
deputy director
jaroslaw.banasiak@mbank.pl