

Tuesday, 30 November 2021 | special comments

## Pozbud: 2021 Q3 Results

Recommendation: hold | target price: PLN 5.24 | current price: PLN 3.63

POZ.PW; POZ.WA | Industrials, Poland

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

**Pozbud delivered much better results in Q3 2021 than in the corresponding quarter in 2020, thanks mainly to improved margins achieved on higher sales (a segmental split reveals a 15% revenue rebound in Building Services and a 25% surge in Windows & Doors).**

**On a less positive note, operating cash flow was negative in Q3 2021.**

**Pozbud fulfilled only 64% of our full-year revenue forecast in the year to 30 September 2021 but thanks to higher-than-expected sales margins and non-recurring profits the operating profits have already exceeded our FY expectations, which are due for suitable revisions.**

**Costs have not weighed on this year's earnings as much as we had feared.**

**Today's earnings release sends a positive signal to the market after a 20% fall in Pozbud's share price in November alone in the aftermath of a lost PLN 391m contract tender.**

- Pozbud generated **revenue** of PLN 49m in Q3 2021, an increase of 11% from the same year-ago quarter. By segment, quarterly revenue from door and window frames grew 25% y/y in a reversal of the previous quarter's falls owed to

increased orders and accounting shifts. Revenue from building services was up 15% at PLN 39.6m, driven by higher payments under the GSM-R contract. After completing its lone residential project, the Zacisze apartment complex in Poznań, Pozbud's real-estate segment did not generate any revenue in Q3 2021.

- **EBITDA** in Q3 2021 registered a rebound of 71% from the prior-year period to PLN 16m, driven by higher revenues and large income from other operating activity that made up 30% of the quarterly EBIT. With the extra income, Pozbud was able to offset higher costs and report 12pp growth in operating margin – something that the Company might not be able to repeat in future quarters.
- **Net profit** came in at PLN 9.3m after 25% tax, a higher figure than reported in Q3 2020.
- The third quarter of 2021 was another quarter in a row of **negative operating cash flow** at PLN -10.6m. This was accompanied by another increase in **net debt** to PLN 101.4m as of 30 September 2021, equivalent to 2.58x 9M EBITDA – a ratio that may not be worryingly high in itself, but that appears to be following a worrying upward trend.

### 2021 Q3 results of Pozbud

(PLN m)	3Q'21	3Q'20	Y/Y	2Q'21	Q/Q	2021E	2020	change	YTD*
revenue	49.1	44.3	11%	46.3	6%	220	194	14%	64%
EBITDA	16.2	9.4	71%	11.5	40%	37	51	-27%	105%
EBITDA margin	33%	21%		25%		17%	26%		
EBIT	13.5	7.2	89%	9.4	43%	28	42	-33%	112%
net profit	9.3	4.0	135%	8.0	16%	20	25	-19%	120%

Source: Pozbud, E - mBank estimates \*expected year-to-date result as a percentage of our full-year estimate

### Segmental split of 2021 Q3 revenues

Revenue (PLN m)	Q1'20	Q2'20	3Q'20	4Q'20	Q1'21	Q2'21	Q3'21	Y/Y	YTD
door & window frames	8.3	5.1	7.6	6.6	7.0	3.5	9.5	25%	44%
real estate	1.1	3.2	2.3	0.8	0.0	1.9	0	-100%	38%
building services	29.1	39.5	34.4	55.7	38.6	40.9	39.6	15%	70%

Source: Pozbud



#### 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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**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.

## 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.klischcz@mbank.pl](mailto:kamil.klischcz@mbank.pl)  
energy, power generation

Piotr Poniatowski  
+48 22 438 24 09 | +48 509 603 046  
[piotr.poniatowski@mbank.pl](mailto:piotr.poniatowski@mbank.pl)  
gaming

Antoni Kania  
+48 22 438 24 03 | +48 509 595 736  
[antoni.kania@mbank.pl](mailto:antoni.kania@mbank.pl)  
industrials, chemicals, metals

Michał Konarski  
+48 22 438 24 05 | +48 515 025 640  
[michal.konarski@mbank.pl](mailto:michal.konarski@mbank.pl)  
banks, financials

Mikołaj Lemańczyk  
+48 22 438 24 07 | +48 501 663 511  
[mikolaj.lemanczyk@mbank.pl](mailto:mikolaj.lemanczyk@mbank.pl)  
banks, financials

Aleksandra Szklarczyk  
+48 22 438 24 04 | +48 501 663 510  
[aleksandra.szklarczyk@mbank.pl](mailto:aleksandra.szklarczyk@mbank.pl)  
construction, real-estate development

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

Janusz Pięta  
+48 22 438 24 08 | +48 506 065 659  
[janusz.pieta@mbank.pl](mailto:janusz.pieta@mbank.pl)  
retail, e-commerce

### Sales and Trading

#### Traders

Piotr Gawron  
Director  
+48 22 697 48 95  
[piotr.gawron@mbank.pl](mailto:piotr.gawron@mbank.pl)

Łukasz Płaska  
+48 22 697 47 90  
[lukasz.plaska@mbank.pl](mailto:lukasz.plaska@mbank.pl)

Krzysztof Bodek  
+48 22 697 48 89  
[krzysztof.bodek@mbank.pl](mailto:krzysztof.bodek@mbank.pl)

Andrzej Sychowski  
+48 22 697 48 46  
[andrzej.sychowski@mbank.pl](mailto:andrzej.sychowski@mbank.pl)

Tomasz Jakubiec  
+48 22 697 47 31  
[tomasz.jakubiec@mbank.pl](mailto:tomasz.jakubiec@mbank.pl)

#### Sales, Foreign Markets

Marzena Łempicka-Wilim  
deputy director  
+48 22 697 48 82  
[marzena.lempicka-wilim@mbank.pl](mailto:marzena.lempicka-wilim@mbank.pl)

Jędrzej Łukomski  
+48 22 697 49 85  
[jedrzej.lukomski@mbank.pl](mailto:jedrzej.lukomski@mbank.pl)

Piotr Brożyna  
+48 22 697 48 47  
[piotr.brozyna@mbank.pl](mailto:piotr.brozyna@mbank.pl)

### Private Client Sales

Kamil Szymański  
director  
[kamil.szymanski@mbank.pl](mailto:kamil.szymanski@mbank.pl)

Jarosław Banasiak  
deputy director  
[jaroslaw.banasiak@mbank.pl](mailto:jaroslaw.banasiak@mbank.pl)