

Tuesday, March 31, 2020 | special comment

Cognor – Steel Producer Posts 2019 Q4 Miss

Rating: hold | target price: PLN 1.25 | current price: PLN 0.79

COG PW; COGP.WA | Steel, Poland

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Cognor's 2019 fourth-quarter financials missed our forecasts as well as falling short of official guidance. On higher-than-expected sales, recurring EBITDA showed a 19% miss relative to our target. Net debt for FY2019 ended up close to our PLN 218m forecast at PLN 225m. Cognor said it would not pay dividends from 2019 profit due to challenges faced amid the ongoing coronavirus epidemic.

- Cognor's quarterly revenue topped our forecast by 10% at PLN 466m after flat year over year growth. In terms of volumes, sales of steel products were a beat and scrap sales were a miss relative to our expectations.

- EBITDA missed our forecast by 16% at PLN 14.2m after falling 41% on the year. The actual result also missed Cognor's guidance range of PLN 17-24m. One-time earnings boosts were small in Q4 at just about PLN 0.5m. The FIFO effect was negative at PLN 10m vs. positive effect of PLN 0.4m recorded in Q4 2018.
- After all this, Cognor reported a fourth-quarter net loss of PLN 5.1m against or expectations of a PLN 3.1m net profit. After stripping one-time gains in the amount of PLN 1.2m, the quarterly net loss widens to PLN 6.7m.
- Operating cash flow amounted to PLN 81m in Q4 2019 vs. PLN 111m in Q4 2018. Cognor ended FY2019 with net debt of PLN 225m (2.2x EBITDA'19).

2019 Q4 actuals vs. expectations

(PLN m)	4Q'19	4Q'18	change	4Q'19E	differ.	2019	2018	change
Revenue	466.1	471.2	-1.1%	424.3	9.8%	1,901.6	2,081.8	-8.7%
EBITDA	14.2	24.0	-41.1%	16.9	-16.1%	100.8	200.1	-49.6%
EBITDA margin	3.0%	5.1%	-	4.0%	-	5.3%	9.6%	-
EBIT	2.6	13.0	-80.4%	5.4	-52.6%	54.6	156.2	-65.1%
Net profit	-5.1	-5.0	-	3.1	-	19.1	68.5	-72.1%

Source: Cognor, 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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