

Monday, April 27, 2020 | special comment

## Cognor – Forecast of 2020 Q1 Results

Rating: hold | target price: PLN 0.94 | current price: PLN 0.98

**COG PW; COGP.WA | Metals, Poland**

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- We expect Cognor to post slightly worse first-quarter results in 2020 than in the same period a year earlier, representing a more negative view than the Company's own expectations of flat year-over-year growth.
- The mid-March lockdown is not likely to have had much of an effect yet on the quarterly profits.
- COVID-19 aside, Cognor experienced strong demand for rebar in the period thanks to warm weather which allowed construction projects to move forward.
- On the other hand, demand from the automotive industry was weak.
- As for profits, the sales margins on scrap-based steel products narrowed in Q1 2020 relative to Q1 2019.
- On the other hand, a change in the accounting approach to maintenance downtime (with cost provisioning no longer done in Q1, in favor of recognition of the full expenses in the third quarter), will have a positive effect on profits.

### 2020 Q1 estimates

(PLN m)	1Q'20E	1Q'19	change	2020E	YTD*
Revenue	438.1	519.7	-15.7%	1,630.0	26.9%
EBITDA	23.7	26.8	-11.6%	70.1	33.8%
margin	5.4%	5.2%		6.1%	
EBIT	12.2	15.1	-19.3%	22.1	55.1%
Net income	6.3	8.8	-27.9%	2.1	296.0%

Source: Cognor, E - mBank estimate; \*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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**Relative** – based on a comparison of valuation multipliers of companies from a given sector; simple in construction, reflects the current state of the market better than DCF; weak points include substantial variability (fluctuations together with market indices) as well as difficulty in the selection of the group of comparable companies.

**Economic profits** – discounting of future economic profits; the weak point is high sensitivity to changes in the assumptions made in the valuation model.

**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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