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Comarch: Forecast of 2020 Q4 Results

Rating: buy | target price: PLN 247.60 | current price: PLN 194.00

CMR PW; CMR.WA | IT, Poland

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At an estimated PLN 63.6m, the 2020 fourth-quarter EBITDA of Comarch will be similar to the figure posted in the same period a year earlier, and it would make a FY2020 full-year result consistent with our forecast for the year. We expect to see a rebound in quarterly revenue from the same year-ago period which should improve sentiment for Comarch after a weak third quarter.

- We expect to see a 2% increase in quarterly revenue, driven by improved sales of solutions for the TMT sector, combined with the euro's appreciation against the zloty.
- Gross margin in Q4 2020 most likely amounted to 30.0% and SG&A expenses are estimated at PLN 86.1m.
- Other operating activity had a neutral impact on 2020 Q4 results in our view compared to a PLN 6.6m one-time gain posted the year before, and financing activity may have produced a loss of PLN 5.0m.
- We expect net profit in Q4 2020 to be approximately PLN 30.0m.

2020 FY and Q4 estimates

(PLN m)	4Q'20E	4Q'19	Y/Y	2020E	YTD*
Revenue	427.0	416.9	2.4%	1530.9	97.3%
EBITDA	63.6	63.2	0.7%	233.8	105.4%
EBITDA margin	14.9%	15.1%	-	15.3%	-
EBIT	42.0	42.2	-0.4%	147	108.8%
Pre-tax profit	37.0	55.3	-33.1%	128.6	106.5%
Net profit	30.0	45.9	-34.7%	94.7	102.4%

Source: Comarch, E- mBank estimate *YTD results as a % of our FY 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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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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