

Tuesday, April 16, 2019 | special comment

Pfleiderer Group – Updated FY2019-2021 Earnings Outlook

Rating: neutral | current price: PLN 25.50

PFL PW; PFLP.WA | Wood Panels, Poland, Germany

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In our opinion, the results of the Pfleiderer Group in Q1'19 will be under pressure of the observed falling prices of boards (MDF and HDF) in Germany as well as lower sales volume caused by the fire in facility in Baruth. According to our preliminary estimates, sales in Q1'19 will amount to EUR 272 m (+1% YoY), EBITDA to EUR 31 m (-14% YoY), net result to EUR 5 m (-32% YoY). In subsequent periods drop in board prices on the German market should partly compensate for lower prices of raw materials – raw materials index fell by 5% from the peak as an effect

of lower methanol, melamine and urea prices. Unfortunately, observed recovering prices of natural gas could mean that lower prices of major chemical products will not last for long. According to our calculations, by CAPEX at EUR 69 m and payment of overdue tax (EUR 10.6 m) net debt at the end of the year will remain at the level of EUR 375 m (3x EBITDA). We update our forecasts and uphold neutral attitude towards Group Pfleiderer shares.

mDM expectations

P&L

(EUR m)	2017	2018	2019E	2020E	2021E
Revenue	1,006	1,062	1,070	1,110	1,150
Laminated boards	503	510	515	536	557
HPL	161	170	177	186	193
Raw chipboards	181	202	200	205	210
Raw MDF	101	117	113	118	122
Admin. expenses	52	50	50	51	51
Selling expenses	132	132	136	138	141
Other	-1	-3	0	0	0
EBIT	46	55	52	62	71
margin	4.6%	5.2%	4.8%	5.6%	6.2%
EBITDA	120	134	130	136	141
margin	11.9%	12.6%	12.2%	12.3%	12.3%
Pre-tax profit	30	24	28	41	51
Net profit	17	6	23	32	40

Cash Flow

(EUR m)	2017	2018	2019E	2020E	2021E
Operating cash flow	133	77	109	119	121
D&A	74	79	78	74	70
Working capital	13	-29	-13	-4	-4
Investing cash flow	-67	-85	-69	-70	-60
CAPEX	-67	-85	-69	-70	-60
Financing cash flow	-80	-37	-23	-88	-68
Debt	28	99	0	-50	-25
Dividend	-52	-106	0	-16	-23
Share issue	0	0	0	0	0
interest	-24	-21	-24	-22	-21
Change in cash	-14	-45	17	-38	-7
Cash at eop	84	39	56	18	11
DPS (EUR)	0.25	0.26	0.00	0.25	0.35
FCF	36	-38	34	45	58

Forecast change

	2018	2019E	2020E
Revenue	-1.5%	-5.4%	-5.3%
EBITDA	-5.8%	-2.9%	-2.9%
Net profit	-77.6%	-21.6%	-12.1%
Net debt	+10.7%	+7.3%	+7.4%
DPS	-0.1%	-100.0%	-21.6%

Source: Pfleiderer Group, E - estimates by Dom Maklerski mBanku;

Balance Sheet

(EUR m)	2017	2018	2019E	2020E	2021E
Assets	944	902	912	880	874
Fixed asstes	728	718	702	700	694
Goodwill	68	67	67	67	67
Current assets	217	184	210	180	180
Inventory	96	116	118	124	130
Current receivables	36	34	35	37	39
Cash	84	33	56	18	11
Equity	240	133	156	173	190
Minority int.	0	0	0	0	0
Noncurrent liabilities	390	478	484	434	409
Current liabilities	207	201	195	197	199
Debt	339	432	432	382	357
Net debt	255	399	376	364	346
(Net debt / Equity.)	106%	299%	240%	211%	182%
(Net debt / EBITDA)	2.1	3.0	2.9	2.7	2.5

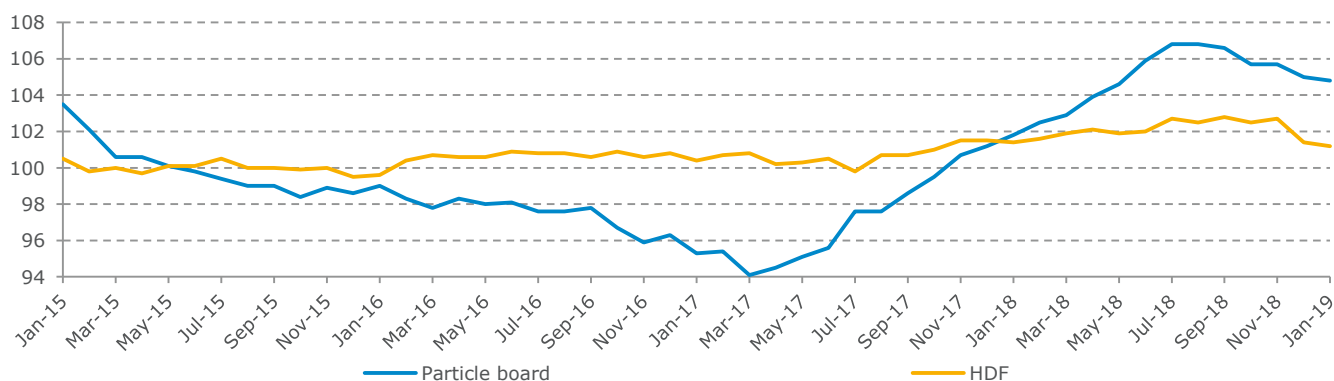
Key Ratios

	2017	2018	2019E	2020E	2021E
P/E	22.5	65.2	16.6	11.9	9.6
P/CE	4.2	4.5	3.8	3.6	3.5
P/BV	1.6	2.9	2.5	2.2	2.0
P/(BV-goodwill)	2.2	5.8	4.3	3.6	3.1
FCF/EV	5.6%	-4.8%	4.5%	6.0%	7.9%
EV/EBITDA	5.3	5.9	5.9	5.5	5.2
EV/EBIT	13.9	14.3	14.7	12.1	10.3
EV/S	0.6	0.7	0.7	0.7	0.6
CFO/EBITDA	111%	58%	84%	88%	86%
DYield	4.3%	4.4%	0.0%	4.2%	5.9%
Buy-back yield	9.3%	23.1%	0.0%	0.0%	0.0%
Price (EUR)	6.0	6.0	6.0	6.0	6.0
Million shares outstan	64.7	64.7	64.7	64.7	64.7
MC (EUR m)	385	385	385	385	385
EV (EUR m)	640	784	761	749	731

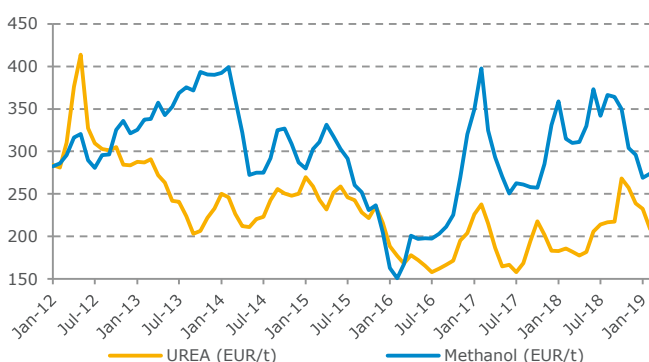
Multiples after treasury stock retirement

	2017	2018	2019E	2020E	2021E
P/E	21.4	59.8	13.3	9.5	7.7
EV/EBITDA	5.2	5.6	5.3	4.9	4.6
FCF/EV	5.8%	-5.0%	5.0%	6.7%	8.8%
P/BV	1.5	2.6	2.0	1.8	1.6
DYield	4.5%	4.8%	0.0%	5.3%	7.3%

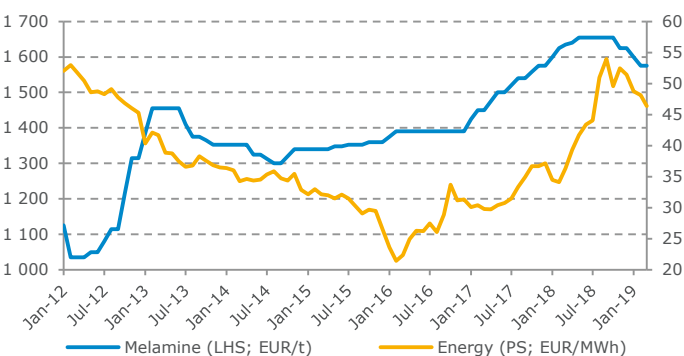
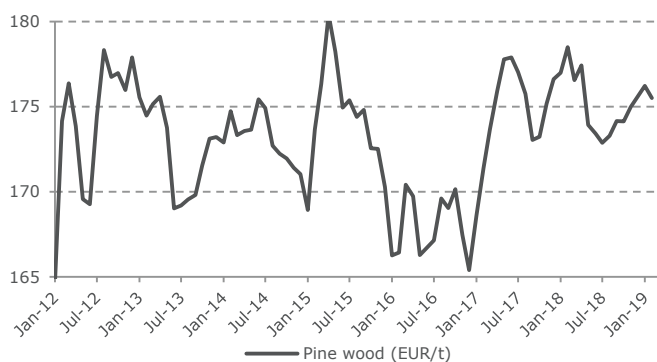
German wood board prices



Costs of board production materials, urea, and methanol



Timber, melamine, and electricity prices in Germany



Source: Bloomberg, IERGiŻ, Dom Maklerski mBanku

List of abbreviations and ratios contained in the report:

EV – net debt + market value
EBIT – Earnings Before Interest and Taxes
EBITDA – EBIT + Depreciation and Amortisation
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.

mBank issued the following investment recommendations for Pfleiderer Group in the 12 months prior to this publication

Rating	neutral	underweight	neutral	overweight	overweight
Rating date	2019-02-27	2019-01-30	2018-09-28	2018-08-08	2018-04-27
Target price (PLN)	-	-	-	-	-
Price on rating day	28,40	32,60	36,45	37,30	37,30

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