

Comp

Further projects following online fiscalisation

We raise our target price from PLN 62 to PLN 69 after including in the forecast the more promising outlook for the retail market in the coming years, and we stand by our BUY recommendation. After the expected record-breaking 2021, with a chance to exceed the MB's forecast of PLN 120m EBITDA, we assume continued strong performance in IT and a return to average results from before the current stage of fiscalisation in the retail business. The potential success of the Company's projects such as M/platform, fiscalisation in Kenya and higher-than-expected sales of payment-enabled fiscal devices provide an additional upside to our forecasts.

Accumulation of sales as part of fiscalisation. 1H21 will be record-breaking for the Company as the purchase period is finalised for subsequent groups under fiscalisation. With its strong position among smaller customers (as opposed to Posnet which is stronger in large networks), Comp should keep its high market share. According to the Company's estimates, the market for devices belonging to the second group to undergo online fiscalisation at end-4Q20 amounts to around 115k devices, while for the last group slated for 2Q21 – 215k devices. Besides the groups that need to replace their devices by end-June (doctors, hairdressers, legal professionals, construction services), we hope for additional purchases of cash registers by HoReCa entities which start or resume their business only before the summer season.

Record-breaking operating flows. In 2020, Comp generated operating flows of PLN 105m, which was more than double the total for 2016–2019. We believe the next two years will also be very good (with an average of over PLN 90m a year), thanks to strong EBITDA in 2021 and reduced working capital in 2022. Our forecast assumes net debt falling to PLN 100m in 2021 vs the Company's forecast of PLN 120m, yet we do not include the possible distribution to shareholders – we can see a buyback potential.

A project in Kenya. This year, an online fiscalisation project will be launched in Kenya, where the market is estimated at around 600k devices, with the group ranking among the leaders when it comes to device type-approval processes. The fiscalisation will be based on devices rather than software solutions, while traditional trade has a significant market share – conditions supporting Comp's position.

Relatively weak stock price behaviour against WIG-IT. Comp is the only one of the 21 WIG-IT participants to have generated a negative rate of return over the last 12 months, which we consider unjustified. Over the year, the Company has reduced its debt by almost PLN 70m, the retail segment's performance outlook has not deteriorated despite the pandemic, and the IT segment has come as a positive surprise with its still strong backlog for 2021.

Financial forecasts. We assume that in 2021 the retail segment will improve its EBITDA by 79% y/y to PLN 101m, IT will grow 2% to PLN 45m, and segment-unallocated costs will total PLN 22m (PLN +1m y/y). We believe the Company's EBITDA forecast of 120m looks rather safe. We conservatively assume that 2022 will bring lower results tending towards the levels generated before the current fiscal peak, yet we see the potential for our forecasts to be exceeded in the event of the M/platform becoming successful, stronger-than-expected growth in the export sales or higher demand for cash register and terminal solutions, also in the subscription model.

Valuation: To determine Comp's target price, we rely 100% on the DCF method, which implies PLN 69 per share (vs PLN 62 previously) We are still conservative about the M/platform, where we assume a PLN 3m loss in 2021 and an EBITDA of PLN 4m in 2022. We slightly upgrade our forecasts for 2022 (EBITDA by 6% to PLN 81m, and net profit by 17% to PLN 22m) given the more optimistic approach to the cash register market and to new solutions proposed by the Company that include the payment infrastructure.

mIn PLN	2018	2019	2020	2021E	2022E	2023E
Sales	677,9	730,5	720,9	895,2	736,1	738,9
EBITDA	69,2	92,7	77,2	120,8	80,7	83,2
EBIT	42,4	54,2	33,8	74,6	34,7	37,5
Net profit	56,8	18,6	15,2	63,5	22,3	25,6
EPS (PLN)	11,9	3,9	3,2	13,3	4,7	5,4
P/E (x)	4,6	14,2	17,3	4,1	11,8	10,3
EV/EBITDA (x)	6,7	5,6	5,8	3,3	4,5	4,1
P/BV (x)	0,5	0,5	0,5	0,5	0,4	0,4
DY (%)	0,0%	0,0%	0,0%	0,0%	3,6%	3,6%

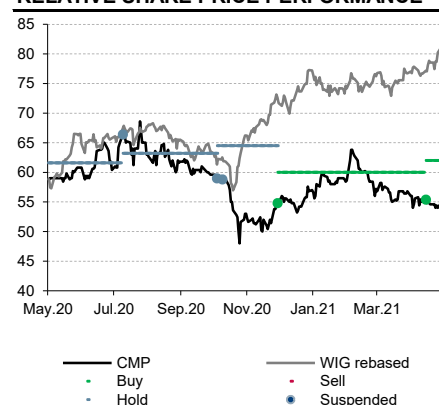
Source: data of the company, Trigon DM

Comp Buy

(Previous: Buy)

TP: PLN 69.0
Upside: 25%
FACT SHEET

Ticker	CMP		
Sector	TMT		
Price (PLN)	55,00		
52wk Range (PLN)	47,3 / 73		
Number of share (m)	4,8		
Market Cap (mPLN)	263		
Free-float	39,6%		
Avg Vol 3M (mPLN)	0,26		
Price performance	1M	3M	1Y
	-3,5%	-6,8%	-7,1%

RELATIVE SHARE PRICE PERFORMANCE

Recommendation history

	Date	Price
Buy	26.04.2021	62,0
Buy	10.12.2020	60,0
Hold	20.10.2020	64,5
Hold	15.10.2020	64,5
Hold	20.07.2020	63,2
Hold	27.04.2020	61,6
Hold	06.12.2019	65,1

Shareholders

	Share %
Comp S.A. wraz z jednostkami zależnymi	19,2%
MetLife OFE	16,2%
NN OFE	9,5%
Robert Tomaszewski	5,1%
Jacek Papaj	5,0%

Important dates

Next quarterly results	21.05.2021
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Analyst

Dominik Niszczyński
 +48 (22) 4338 390
 dominik.niszczy@trigon.pl

Comp

Bloomberg ticker **CMP PW**

Recommendation **Hold**
Target Price (PLN) **69,0**

Current Price (PLN) **55,0**
Upside **25,5%**

Previous Recommendation **Hold**
Previous Upside (PLN) **62**

Number of shares (m) **4,8**
Market Cap (mPLN) **263**
EV (m PLN) **393**

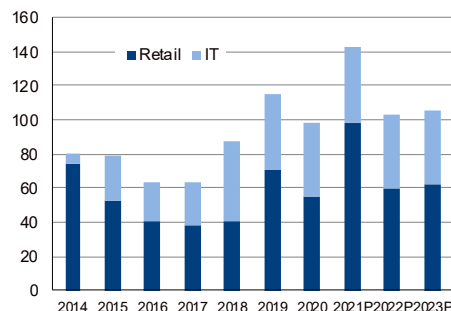
Dominik Niszcz
+48 (22) 4338 390
dominik.niszcz@trigon.pl

Polish fiscal equipment market share

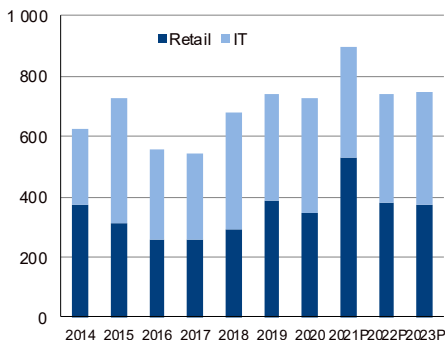


■ Posnet ■ Novitus ■ Elzab ■ Other

EBITDA in major business lines



Diversification of revenues



MARKET RATIOS	2018	2019	2020F	2021F	2022F
P/E (x)	14,2	17,3	4,1	11,8	10,3
P/E adj. (x)	14,2	17,3	5,4	11,8	10,3
P/BV (x)	0,5	0,5	0,5	0,4	0,4
EV/EBITDA (x)	5,6	5,8	3,3	4,5	4,1
EV/EBITDA adj. (x)	5,6	5,8	3,3	4,5	4,1
EV/Sales (x)	0,7	0,6	0,4	0,5	0,4
FCF Yield (%)	-12,1%	15,2%	16,4%	15,6%	13,6%
DY (%)	0,0%	0,0%	0,0%	3,6%	3,6%

RATIOS	2018	2019	2020F	2021F	2022F
EPS (PLN)	3,9	3,2	13,3	4,7	5,4
EPS adj. (PLN)	3,9	3,2	10,1	4,7	5,4
DPS (PLN)	0,0	0,0	0,0	2,0	2,0
BVPS (PLN)	110,0	107,0	120,3	123,0	126,3
Number of shares (m)	4,8	4,8	4,8	4,8	4,8
Market Cap (mPLN)	263	263	263	263	263
EV (mPLN)	521	450	393	362	341

P&L (mPLN)	2018	2019	2020F	2021F	2022F
Sales	730,5	720,9	895,2	736,1	738,9
COGS	501,9	505,7	615,1	516,2	515,1
Gross profit	228,6	215,1	280,1	219,8	223,8
EBITDA	92,7	77,2	120,8	80,7	83,2
EBITDA adj.	92,7	77,2	120,8	80,7	83,2
D&A	38,6	43,5	46,1	45,9	45,7
EBIT	54,2	33,8	74,6	34,7	37,5
Gross profit	39,0	26,5	67,1	29,0	32,6
Minority interest	-0,5	-2,0	2,9	0,7	0,8
Net profit	18,6	15,2	63,5	22,3	25,6
Net profit adj.	18,6	15,2	48,5	22,3	25,6

CASH FLOW STATEMENT (mPLN)	2018	2019	2020F	2021F	2022F
Cash flow from operations	7,5	104,7	96,7	89,7	79,7
Cash flow from investing	-23,1	-31,7	-16,3	-32,1	-32,3
CAPEX	-70,4	-36,3	-32,0	-33,0	-33,3
Cash flow from financing	14,9	-79,4	-40,3	-46,1	-25,4
Dividend	0,0	0,0	0,0	-9,6	-9,6
FCF	-62,9	68,4	64,7	56,7	46,4
Net cash flow	-0,7	-6,4	40,1	11,5	22,0

BALANCE SHEET (mPLN)	2018	2019	2020F	2021F	2022F
ASSETS	1 043,0	996,0	1 024,4	1 002,9	1 023,4
PPE	90,1	71,3	71,0	70,6	70,3
Goodwill	272,8	272,8	272,8	272,8	272,8
Intangible assets	455,9	473,7	471,8	469,2	467,1
Cash and equivalents	53,1	46,6	86,8	98,2	120,3
EQUITY AND LIABILITIES	1 043,0	996,0	1 024,4	1 002,9	1 023,4
Equity	526,2	511,8	575,3	588,0	604,1
Minority shareholders capital	29,6	27,3	30,3	31,0	31,7
Interest-bearing liabilities	281,3	206,8	186,8	166,8	166,8
Net debt	228,3	160,1	100,0	68,5	46,5
Net working capital	218,7	138,4	161,8	131,7	129,2

OPERATING INDICATORS	2018	2019	2020F	2021F	2022F
Sales growth (%)	8%	-1%	24%	-18%	0%
EPS adj. growth (%)	1%	-18%	219%	-54%	15%
Gross profit margin (%)	31,3%	29,8%	31,3%	29,9%	30,3%
EBITDA adj. margin (%)	12,7%	10,7%	13,5%	11,0%	11,3%
Operating profit margin (%)	7,4%	4,7%	8,3%	4,7%	5,1%
Net profit adj. margin (%)	2,5%	2,1%	5,4%	3,0%	3,5%
ROE (%)	3,6%	2,9%	8,9%	3,8%	4,3%
ROA (%)	1,9%	1,5%	4,8%	2,2%	2,5%
CAPEX/Sales (%)	9,6%	5,0%	3,6%	4,5%	4,5%
CAPEX/D&A (x)	1,8	0,8	0,7	0,7	0,7
Net debt/Equity	0,4	0,3	0,2	0,1	0,1
Net debt/EBITDA (x)	2,5	2,1	0,8	0,8	0,6
Cash conversion cycle (days)	88	82	59	68	58
Inventory turnover (days)	62	65	46	55	52
Receivables turnover (days)	113	110	80	83	78
Liabilities turnover (days)	87	93	67	70	72

Source: Company, Trigon DM

Valuation

Our target price is fully based on DCF valuation.

DCF assumptions: RF rate 1.5%, equity market risk premium 6.0%; unlevered beta of 1.1x, TV growth rate of 1.0%. We include PayTel transaction settlement in 2021 (15 mn PLN). The number of shares is adjusted for treasury shares held by Comp .

Comp: DCF valuation

	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	TV
EBIT	74,6	34,7	37,5	42,4	42,0	41,2	41,5	41,7	40,9	
Tax rate	23%	21%	19%	19%	19%	19%	19%	19%	19%	
NOPAT	57,5	27,4	30,3	34,3	34,0	33,4	33,6	33,8	33,1	
Amortization	46,1	45,9	45,7	45,5	45,3	45,2	45,1	45,1	45,1	
Investments spending and leasing	44,0	43,0	43,3	43,6	44,0	44,3	44,6	45,0	45,3	
Net WC investments	-8,5	15,1	2,8	-1,5	1,0	0,2	-0,4	-0,4	0,2	
Adj.*	15,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
FCF	66,1	45,5	35,5	34,7	36,3	34,5	33,7	33,5	33,1	32,3
WACC (%)	8,0%	8,1%	8,1%	8,1%	8,1%	8,1%	8,1%	8,1%	8,1%	
PV FCF sum 2021-29	254									
FCF growth ratio after '29	1,0%									
Discounted TV	226				6,1%	7,1%	8,1%	9,1%	10,1%	
Minorities	27			0,0%	77,9	69,2	62,6	57,4	53,3	
Net debt	160			0,5%	83,5	73,2	65,7	59,8	55,3	
Equity value (mln PLN)	293			g	1,0%	90,1	77,9	69,2	62,6	57,4
Number of shares (mln)**	4,8				1,5%	98,2	83,5	73,2	65,7	59,8
Value per share (PLN, 1/1/2021)	61,2				2,0%	108,3	90,1	77,9	69,2	62,6
12m TP	69,2									

Source: Trigon DM

* payments from the settlement of the PayTel transaction

*** number of shares excl. Comp's S.A. and subsidiaries shares

Peer group valuation

Spółka	MC [m EUR]	EV/EBITDA			P/E		
		2021E	2022E	2023E	2021E	2022E	2023E
ATOS SE	6 067	4,8	4,5	4,3	8,1	7,1	6,5
CAPGEMINI SE	25 892	12,1	11,2	10,4	19,3	17,1	15,2
COMPUTACENTER PLC	3 451	9,9	9,7	9,4	19,9	19,3	18,8
INDRA SISTEMAS SA	1 459	6,4	5,7	5,4	12,1	10,2	9,0
LECTRA	918	14,8	9,0	8,1	37,1	21,5	18,6
NEURONES	695	7,6	7,2	6,9	22,2	21,0	20,1
REPLY SPA	4 209	17,4	15,6	14,4	31,3	27,5	24,8
SOPRA STERIA GROUP	3 119	7,7	7,2	6,9	14,4	12,4	11,1
SAP SE	143 022	16,6	15,8	14,6	23,2	22,8	20,9
TIETOEVRY OYJ	3 347	8,2	7,9	7,6	12,2	11,2	10,6
HEWLETT PACKARD ENTERPRISE	17 540	6,1	6,0	5,9	8,8	8,4	8,1
Median: foreign peers (25%)		8,2	7,9	7,6	19,3	17,1	15,2
ASSECO POLAND		4,5	4,3	4,2	14,1	14,4	14,2
COMARCH		6,1	5,7	5,5	14,8	14,2	14,0
ASSECO BUSINESS SOLUTIONS		9,8	9,2	8,8	15,0	15,0	15,0
Median: Polish peers (75%)		6,1	5,7	5,5	14,8	14,4	14,2
CMP		3,3	4,5	4,1	5,4	11,8	10,3
Valuation per share		140,4	78,4	77,4	161,1	70,1	77,2
Year weight		0%	50%	50%	0%	50%	50%
Average valuation for multipliers			77,9			73,6	

Source: Bloomberg, Trigon DM

Risk factors: 1) Changes in legal regulations related to cash registers, 2) Risk of failure of M/platform project, 3) Delays in M/platform monetisation, 4) Risk of new competitors in virtual cash registers segment in the long run, 5) Decline of clients' investments in IT.

Income statement (PLNm)

	2018	2019	2020	2021E	2023E	2023E
Revenues	678	731	721	895	736	739
Operating expenses	480	502	506	615	516	515
Gross profit from sales	197	229	215	280	220	224
Sales expenses	78	96	92	114	94	94
Management costs	74	72	85	86	87	88
Profit from sales	46	60	38	79	39	41
Result on other operating activity	-3	-6	-4	-5	-4	-4
EBITDA	69	93	77	121	81	83
EBITDA adj.	69	93	77	121	81	83
Amortization	27	39	43	46	46	46
EBIT	42	54	34	75	35	37
Financial net	-18	-15	-7	-8	-6	-5
Gross profit	25	39	26	67	29	33
Income tax	8	9	10	16	6	6
Minority interest	-1	0	-2	3	1	1
Net profit	57	19	15	64	22	26
Net profit adj.	18	19	15	49	22	26

gross margin from sales	29,1%	31,3%	29,8%	31,3%	29,9%	30,3%
EBITDA adj. margin	10,2%	12,7%	10,7%	13,5%	11,0%	11,3%
EBIT margin	10,2%	12,7%	10,7%	13,5%	11,0%	11,3%
net profit adj. margin	6,2%	7,4%	4,7%	8,3%	4,7%	5,1%
	2,7%	2,5%	2,1%	5,4%	3,0%	3,5%

sales grow th y/y						
gross profit from sales grow th y/y	25%	8%	-1%	24%	-18%	0%
EBITDA adj. grow th y/y	29%	16%	-6%	30%	-22%	2%
EBIT grow th y/y	52%	34%	-17%	56%	-33%	3%
net profit adj. grow th y/y	85%	28%	-38%	121%	-53%	8%
net profit adj. grow th y/y	234%	1%	-18%	219%	-54%	15%

	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
Revenues	185	281	141	112	157	311
Operating expenses	128	201	92	86	108	237
Gross profit from sales	56	80	49	26	48	74
Sales expenses	23	30	19	16	21	34
Management costs	18	29	19	17	17	18
Profit from sales	16	21	11	-7	10	21
Result on other operating activity	0	-7	3	1	-1	-4
EBITDA	26	25	24	4	20	29
EBITDA adj.	26	25	24	4	20	29
Amortization	10	11	10	10	11	11
EBIT	16	14	13	-6	9	17
Financial net	-3	-5	-2	-3	0	-2
Gross profit	13	9	11	-9	9	15
Income tax	4	1	5	-3	4	4
Minority interest	0	0	-1	-1	0	0
Net profit	8	8	4	-4	5	9
Net profit adj.	8	8	4	-4	5	9

gross margin from sales	30,6%	28,4%	34,7%	23,1%	30,8%	23,8%
EBITDA adj. margin	13,9%	8,9%	16,9%	3,7%	13,1%	9,2%
EBIT margin	8,5%	5,1%	9,5%	-	5,9%	5,6%
net profit adj. margin	4,4%	2,8%	3,0%	-	3,4%	3,0%

sales grow th y/y	0	0	0	0	0	0
gross profit from sales grow th y/y	20,7%	13,7%	16,5%	-24,8%	-15,2%	11,0%
EBITDA adj. grow th y/y	30,3%	25,2%	35,2%	-52,7%	-14,4%	-7,2%
EBIT grow th y/y	50,1%	102,5%	85,9%	-82,9%	-20,1%	15,5%
EBIT grow th y/y	53,5%	170,1%	207,8%	-	-41,2%	21,5%
net profit adj. grow th y/y	132,6%	-	777,7%	-	-34,6%	18,4%

Source: the company, Trigon Brokerage House

Balance sheet (PLN m)

	2018	2019	2020	2021E	2023E	2023E
Fixed assets	546,3	583,3	593,9	591,8	588,8	586,4
Tangible fixed assets	68,8	90,1	71,3	71,0	70,6	70,3
Intangible assets	445,3	455,9	473,7	471,8	469,2	467,1
Company's value	272,8	272,8	272,8	272,8	272,8	272,8
Long-term receivables	4,2	5,3	0,9	0,9	0,9	0,9
Long-term investments	20,2	13,7	13,7	13,7	13,7	13,7
Other	7,7	18,2	34,3	34,3	34,3	34,3
Current assets	388,6	459,7	402,1	432,7	414,2	437,1
Inventory	87,4	82,8	97,3	82,7	72,7	72,9
Trade receivables	189,2	261,5	173,3	178,3	158,3	158,9
Other	58,3	62,4	85,0	85,0	85,0	85,0
Cash	53,8	53,1	46,6	86,8	98,2	120,3
Assets	934,9	1 043,0	996,0	1 024,4	1 002,9	1 023,4
Equity	503,3	526,2	511,8	575,3	588,0	604,1
Share capital	14,8	14,8	14,8	14,8	14,8	14,8
Other	431,7	492,8	481,8	497,0	551,0	563,7
Net profit (loss)	56,8	18,6	15,2	63,5	22,3	25,6
Minority capital	25,6	29,6	27,3	30,3	31,0	31,7
Long-term liabilities	104,0	89,8	56,9	56,9	56,9	56,9
Interest-bearing liabilities	84,1	65,4	32,1	32,1	32,1	32,1
Other	19,9	24,4	24,7	24,7	24,7	24,7
Short-term liabilities	327,6	427,1	400,0	362,0	327,1	330,7
Interest-bearing liabilities	146,2	216,0	174,6	154,6	134,6	134,6
Trade liabilities	113,0	125,6	132,2	99,1	99,2	102,6
Other	68,5	85,5	93,3	108,2	93,2	93,5
Liabilities	934,9	1 043,0	996,0	1 024,4	1 002,9	1 023,4
Net working capital	163,6	218,7	138,4	161,8	131,7	129,2
Net debt	176,5	228,3	160,1	100,0	68,5	46,5
Net debt corr.	176,5	228,3	160,1	100,0	68,5	46,5
Net debt /EBITDA (x)	2,5	2,5	2,1	0,8	0,8	0,6
Net debt /equity (x)	0,4	0,4	0,3	0,2	0,1	0,1
ROE (%)	4%	4%	3%	9%	4%	4%
ROA (%)	2%	2%	1%	5%	2%	3%
Cash conversion cycle (days)	70	88	82	59	68	58
Inventory turnover (days)	56	62	65	46	55	52
Receivables turnover ratio (days)	93	113	110	80	83	78
Accounts payable turnover ratio (days)	79	87	93	67	70	72

Cash Flow (PLNm)

	2016	2017	2018	2019F	2021F	2021F
Cash flows from operating activities	2,0	7,5	104,7	96,7	89,7	79,7
Net profit (loss)	56,8	18,6	15,2	63,5	22,3	25,6
Amortization	29,4	38,6	43,5	46,1	45,9	45,7
Changes in working capital	-47,2	-86,9	48,1	-8,5	15,1	2,8
Inventory changes	-37,1	4,6	-15,0	14,6	10,0	-0,3
Trade receivables change	-53,9	-94,2	56,5	-5,0	20,0	-0,6
Trade liabilities change	32,4	23,2	9,8	-18,1	-14,9	3,7
Other	-37,1	37,2	-2,1	-4,5	6,4	5,6
Cash flows from investment activities	11,4	-23,1	-31,7	-16,3	-32,1	-32,3
CAPEX	-42,4	-70,4	-36,3	-32,0	-33,0	-33,3
Other	53,7	47,4	4,6	15,7	0,9	1,0
Cash flows from financial activities	4,2	14,9	-79,4	-40,3	-46,1	-25,4
Interest-bearing liabilities change	21,9	58,1	-59,9	-20,0	-20,0	0,0
Revenues from shares emission	0,0	0,0	0,0	0,0	0,0	0,0
Dividend	0,0	0,0	0,0	0,0	-9,6	-9,6
Other	-17,7	-43,2	-19,5	-20,3	-16,5	-15,8
Net cash flows	18,8	-0,7	-6,4	40,1	11,5	22,0
Cash opening balance	35,0	53,8	53,1	46,6	86,8	98,2
Closing balance of cash	53,8	53,1	46,6	86,8	98,2	120,3

Source: the company, Trigon Brokerage House

Trigon Dom Maklerski S.A.

Plac Unii, Budynek B, ul. Puławska 2

02-566 Warszawa

T: +48 22 330 11 11 | F: +48 22 330 11 12

Research:

Grzegorz Kujawski, Head of Research
Consumer, Financials

Maciej Marciniowski, Deputy Head of Research
Strategy, Banks, Financials, Wood&Paper

Kacper Koproń
Video Games, TMT

Katarzyna Kosiorek
Biotechnology

Michał Kozak
Oil&Gas, Chemicals, Utilities

Dominik Niszczyński
TMT, IT

Łukasz Rudnik
Industry, Metal&Mining

David Sharma
Construction, Developers, Real Estate

Sales:

Paweł Szczepański, Head of Sales

Paweł Czupryński

Sebastian Kosakowski

Michał Sopiński

Hubert Kwiecień

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Definitions

capitalisation – market price multiplied by the number of a company's shares

free float (%) – a percentage of a company's shares held by shareholders with less than 5% shareholding reduced by treasury shares held by the company

min/max 52 wks – minimum/maximum share price within the last 52 weeks

average turnover – average volume of share trading within the last month

EBIT – operating profit

EBITDA – operating profit increased by depreciation and amortisation

adjusted profit – net profit adjusted for one-off items

CF – cash flow

capex – sum of investment expenditures on fixed assets

ROA – rate of return on assets

ROE – rate of return on equity

gross profit margin – a ratio of gross profit to net revenue

EBITDA margin – a ratio of sum of operating profit and depreciation/amortisation to net revenue

EBIT margin – a ratio of operating profit to net revenue

net margin – a ratio of net profit to net revenue

EPS – earnings per share

DPS – dividends per share

P/E – a ratio of market price to earnings per share

P/BV – a ratio of market price to book value per share

EV/EBITDA – a company's EV to EBITDA ratio

EV – sum of a company's current capitalisation and net debt

DY – dividend yield, dividend paid to share price ratio

ISSUER – Comp S.A.

Recommendations of the Brokerage House

BUY – we expect that the rate of return on an investment will be at least 10%
 NEUTRAL – we expect the price of an investment to be relatively stable, optionally it will increase no greater than 10%
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 Recommendation prepared by: Dominik Niszcz

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