

Comp

- As expected, the Company reported strong 4Q19 results. Revenue in Retail exceeded the forecasts, allowing us to support the notion that **the Company is experiencing increased demand for fiscal equipment also among taxpayers not subject to the statutory obligation or regardless of the replacement deadlines.**
- In response to the economic impact of the coronavirus pandemic, **the Ministry of Finance changed the deadline for the mandatory replacement of fiscal equipment with online cash registers for the hotel and catering industries from 1 July 2020 to 1 January 2021**, which means the deadlines will overlap with those set for another group covered by the statutory replacement obligation, that is hairdressers, beauticians, cosmetologists and taxpayers providing fitness services, as well as doctors, dentists and lawyers. **Given such a scenario, increased demand for fiscal equipment, which was previously forecast to fall on the second and fourth quarters of this year, would shift mostly to 4Q20**, causing potential difficulties in processing the increased order volumes by equipment manufacturers. Part of the estimated revenue from online fiscalisation may not materialise in 2020 due to **many businesses closing as a result of the pandemic**. This situation could affect up to 10–15% of businesses in the HoReCa group, representing ~1/3 of all entities required to replace equipment in 2019–2020. Online fiscalisation was targeted to cover about 345k taxpayers nationwide during this period. The first stage has already been completed and, coupled with other demand drivers, resulted in the Company achieving its highest annual sales of fiscal equipment in history. We assume that keeping the dates of online fiscalisation in 2020, for all taxpayer groups mentioned in the Act, will generate **ca. PLN 278m in extra revenue for the Company**. Any further deadline postponement should result in a corresponding portion of revenue being carried forward.
- To spread the demand for new generation devices over time, the Company will most likely apply various **incentives for taxpayers, which will make earlier investments in cash register replacements economically attractive to them**. Besides the inevitability of the deadline, the demand drivers already include additional functionalities offered, such as the M/platform, or a joint offer with Paytel under the Cashless Poland Programme (each terminal order comes with a discount on a fiscal device). **Future offers may feature a deferred payment option or a subscription model.**
- In our report of 21 April we lowered our forecast for the retail segment in 2020 and for the whole group in the next 2 years due to (1) fewer existing and new taxpayers required to replace or purchase next-gen cash registers (bankruptcies, suspended business activity); (2) potential difficulties in handling the accumulated demand for fiscal equipment at the end of 2020; (3) pressure to sell equipment at the expense of lower margins; (4) the impending economic downturn. **We estimate that in 2020, the Company will generate PLN 930m in revenue vs PLN 953m, as previously projected (a drop in Retail slightly offset by strong IT), and PLN 115m in EBITDA (vs previous PLN 127m).**

Hold

(previous: Hold)

Target price: 61,6 PLN

Current price 59,4 PLN

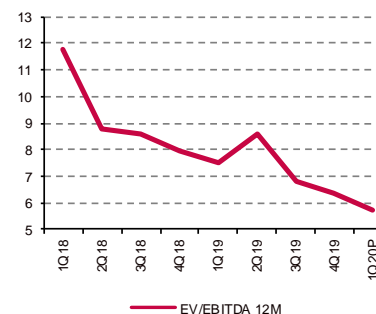
Upside potential 4%

Quarterly report

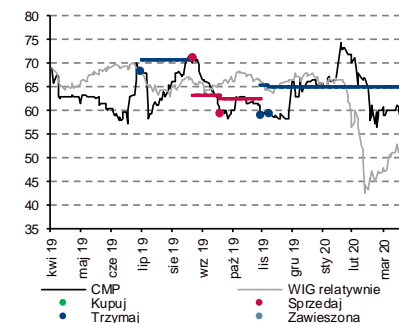
2020-05-22

Company data		Recommendation history		Date	Price
Ticker	CMP	Hold		2019-12-06	65,1
Sector	IT	Hold		2019-11-28	65,3
Price (PLN)	59,4	Sell		2019-10-18	62,4
52w min/max (PLN)	56 / 75	Sell		2019-09-20	63
Shares (m)	5,9	Hold		2019-07-30	71
MC (PLNm)	352				
Free-float	91,5%				
Avg. 3M turnover (PLNm)	0,03				
Zmiana kursu	1M	3M	1Y		
	-0,7%	-9,4%	-6,6%		

P/E 12M vs EV/EBITDA 12M



Relative performance vs. WIG



mPLN	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20P	y/y	q/q
Sales	119,8	158,4	153,0	246,6	121,3	148,3	184,6	280,5	191,6	58%	-32%
EBITDA	11,8	28,1	17,1	12,3	12,8	24,4	25,6	24,9	22,7	77%	-9%
EBIT	5,5	21,4	10,2	5,3	4,4	14,8	15,7	14,2	15,0	245%	6%
Net profit	1,2	52,9	3,5	-0,7	0,5	2,1	8,1	7,9	9,5	1866%	21%
P/E12M trailing	106,3	6,3	6,2	6,2	6,3	65,8	35,3	18,9	12,7		
EV/EBITDA 12M trailing	11,8	8,8	8,6	8,0	7,5	8,6	6,8	6,4	5,7		
sales grow th y/y	-51%	11%	40%	133%	1%	-6%	21%	14%	58%		
EBITDA margin	9,8%	18%	11%	5%	11%	16%	14%	9%	12%		
EBIT margin	4,6%	13%	7%	2%	4%	10%	9%	5%	8%		
Net margin	1,0%	33%	2%	-	0%	1%	4%	3%	5%		

mPLN	2017	2018	2019	2020P	2021P	2022P
Sales	541,1	677,9	734,8	930,3	689,5	683,3
EBITDA	45,5	69,2	87,7	115,3	72,1	70,5
EBIT	22,9	42,4	49,1	72,5	29,3	28,1
Net profit	0,2	56,8	18,6	37,9	26,5	10,7
EPS (PLN)	0,03	9,60	3,14	6,40	4,48	1,81
DPS (PLN)	0,00	0,00	0,00	0,00	0,00	1,72
P/E (x)	2 043,8	-	18,9	9,3	13,2	32,8
EV/EBITDA (x)	11,6	7,6	6,6	4,9	6,9	6,1
P/BV (x)	0,8	0,7	0,7	0,6	0,6	0,6
DY (%)	0,0%	0,0%	0,0%	0,0%	0,0%	2,9%

Valuation/weight	Current		Previous		Change
DCF valuation	61,6	100%	65,3	100%	-6%
Peer valuation	57,7	0%	94,1	0%	-39%

Estimates revision m PLN	2021E			2022E			2022E		
	New	Old	Change	New	Old	Change	New	Old	Change
Sales	930	953	-2%	689	738	-7%	683	749	-9%
EBITDA	115	127	-9%	72	75	-4%	71	73	-3%
EBIT	72	84	-14%	29	34	-14%	28	29	-3%
Net profit	38	63	-40%	27	39	-32%	11	12	-11%
P/E (x)	9,3	5,6		13,2	9,0		32,8	29,3	
EV/EBITDA (x)	5,5	5,0		7,0	6,7		6,6	6,3	
P/BV (x)	0,6			0,6			0,6		
DY (%)	0,0%			0,0%			2,9%		

MARKET RATIOS	2018	2019	2020P	2021P	2022P
P/E (x)	6,2	18,9	9,3	13,2	32,8
P/E adj. (x)	19,2	18,9	9,3	33,4	32,8
P/BV (x)	0,7	0,7	0,6	0,6	0,6
EV/EBITDA (x)	7,6	6,6	4,9	6,9	6,1
EV/EBITDA adj. (x)	7,6	6,6	4,9	6,9	6,1
EV/Sales (x)	0,8	0,8	0,6	0,7	0,6
FCF Yield (%)	-7,6%	-10,9%	6,6%	16,6%	13,4%
DY (%)	0,0%	0,0%	0,0%	0,0%	2,9%

RATIOS	2018	2019	2020P	2021P	2022P
EPS (PLN)	9,6	3,1	6,4	4,5	1,8
EPS adj. (PLN)	3,1	3,1	6,4	1,8	1,8
DPS (PLN)	0,0	0,0	0,0	0,0	1,7
BVPS (PLN)	85,0	88,9	95,1	99,6	99,7

OPERATING INDICATORS	2018	2019	2020P	2021P	2022P
Gross profit margin (%)	29,1%	30,9%	30,2%	29,9%	30,0%
EBITDA adj. margin (%)	10,2%	11,9%	12,4%	10,5%	10,3%
Operating profit margin (%)	6,2%	6,7%	7,8%	4,3%	4,1%
Net profit adj. margin (%)	8,4%	2,5%	4,1%	3,8%	1,6%

ROE (%)	3,9%	3,6%	7,0%	1,8%	1,8%
ROA (%)	6,4%	1,9%	3,4%	2,3%	1,0%
CAPEX/Sales (%)	6,2%	9,6%	5,5%	5,7%	6,1%
CAPEX/D&A (x)	1,6	1,8	1,2	0,9	1,0
Net debt /equity (x)	0,4	0,4	0,4	-	-
Net debt /EBITDA (x)	2,5	2,6	1,8	2,0	1,1

Cash conversion cycle (days)	77	95	92	112	85
Inventory turnover (days)	39	42	42	55	39
Receivables turnover ratio (days)	93	112	106	130	109
Accounts payable turnover ratio (days)	56	59	56	73	63

INCOME STATEMENT (PLNm)	2017	2018	2019	2020P	2021P	2022P
Sales	541,1	677,9	734,8	930,3	689,5	683,3
COGS	387,7	480,5	507,9	649,6	483,3	478,3
Gross profit from sales	153,3	197,4	226,8	280,7	206,2	205,1
Sales expenses	53,7	77,8	89,3	117,5	87,1	86,3
G&A	75,8	74,0	83,1	83,9	84,8	85,6
Profit from sales	23,8	45,6	54,5	79,2	34,3	33,1
Result on other operating activity	-1,0	-3,2	-5,3	-6,7	-5,0	-5,0
EBITDA	45,5	69,2	87,7	115,3	72,1	70,5
EBITDA adj.	45,5	69,2	87,7	115,3	72,1	70,5
Amortization	22,6	26,9	38,6	42,8	42,8	42,4
EBIT	22,9	42,4	49,1	72,5	29,3	28,1
Financial net	-15,3	-17,7	-15,8	-18,9	-16,1	-15,0
Income before income taxes	7,6	24,7	33,4	53,6	13,2	13,1
Income tax	1,6	7,5	8,9	10,2	2,5	2,5
Minority interest	0,5	-1,1	-0,5	0,5	0,2	-0,1
Net profit	0,2	56,8	18,6	37,9	26,5	10,7
Net profit adj.	0,2	18,3	18,6	37,9	10,5	10,7

BALANCE SHEET (PLNm)	2017	2018	2019	2020P	2021P	2022P
Fixed assets	513,3	546,3	583,3	597,2	589,5	583,1
Current assets	333,4	388,6	459,7	610,2	504,6	502,9
Inventory	58,8	87,4	82,8	130,2	75,8	68,3
Trade receivables	157,4	189,2	261,5	279,1	213,7	194,7
Cash	30,3	47,9	47,3	40,5	91,4	158,5
ASSETS	847	935	1043	1207	1094	1086
Equity	447,5	503,3	526,2	562,7	589,4	589,8
Minority capital	26,8	25,6	29,6	30,1	30,3	30,2
Long-term liabilities	92,8	104,0	89,8	104,0	104,0	104,0
Interest-bearing liabilities	80,3	84,1	65,3	73,2	64,5	64,6
Short-term liabilities	306,3	327,6	427,1	540,7	400,7	397,2
Interest-bearing liabilities	129,1	146,2	216,0	244,5	180,9	205,9
Trade liabilities	94,0	113,0	125,6	159,0	117,9	116,8
Liabilities	847	935	1043	1207	1094	1086

CASH FLOW STATEMENT (PLNm)	2017	2018	2019	2020P	2021P	2022P
Cash flow from operations	15,6	2,0	7,5	88,1	121,6	99,2
Net profit (loss)	0,2	56,8	18,6	37,9	26,5	10,7
Amortization	22,6	29,4	38,6	40,8	42,4	48,0
Cash flow from investing	-27,9	11,4	-23,0	-49,6	-37,0	-39,7
CAPEX	-34,9	-42,4	-70,4	-51,1	-39,3	-41,7
Cash flows from financial activities	10,4	4,2	14,9	-45,4	-33,6	-27,2
Dividend	0,0	0,0	0,0	0,0	0,0	-10,2
Net cash flow	-1,8	17,6	-0,6	-6,8	51,0	67,1
Cash opening balance	32,1	30,3	47,9	47,3	40,5	91,4
Closing balance of cash	30,3	47,9	47,3	40,5	91,4	158,5



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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

Recommendations of the Brokerage House

BUY – we expect that the rate of return on an investment will be at least 10%
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