

Comp

Online fiscalisation spread over time

After a solid 4Q19 performance and the announcement of a strong first quarter of 2020, the coronavirus pandemic has cooled optimism, prompting the Ministry of Finance to postpone the mandatory introduction of online cash registers for the hotel and catering industries from July 1, 2020 to January 1, 2021, aligning the deadline with the next group subject to mandatory replacement. We take into account that this does not have to be the final deadline, which would mean the company having to postpone a significant part of revenue or even forfeiting some of it. Keeping the deadline may lead to demand accumulation in 4Q20, which in turn may cause a problem with handling the increased number of orders. Due to the forecast update we lower our target price to PLN 61.6 (upside +3.7%) and stand by our recommendation to 'Hold'.

4Q19 results: proved to be in line with our expectations, showing a slight divergence between the different segments. IT generated revenue of PLN 142m (-16% y/y and PLN 19m below our estimates). Revenue in the retail segment amounted to PLN 139m (+74% y/y and PLN 18m above our forecasts), supporting 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 ultimate replacement deadline. The 4Q19 increase in receivables is consistent with the start of the cycle of increased fiscal equipment sales.

In response to the economic impact of the coronavirus pandemic, the Ministry of Finance has moved the deadline for the mandatory replacement of fiscal equipment with online cash registers for the hotel and catering industries from July 1, 2020 to January 1, 2021, which means cumulating the deadlines with another group covered by the statutory replacement obligation, which are taxpayers providing services in the fields of hairdressing, beauty, cosmetology and fitness, as well as doctors, dentists and lawyers. Given such a scenario, increased demand for fiscal equipment, previously forecast for the second and fourth quarters of this year, would shift mostly to 4Q20, causing potential difficulties in processing orders. In addition, we expect a reduction in the overall number of taxpayers required to replace cash registers in 2020 due to suspension or closure of their business. This situation could affect up to 10–15% of the HORECA group, representing ~1/3 of all entities required to replace equipment in 2019–20. Online fiscalisation was targeted to cover about 345k taxpayers nationwide during this period. The first stage has already been completed and, coupled with other factors supporting demand, resulted in the company achieving its highest annual sales of fiscal equipment in history.

M/platform: Development of the project still primarily involves activities aimed at acquiring partners from each product group of the 'shopping basket' and adding new stores. The platform is currently used by ca. 9,5k retail outlets (vs. 7,5k at end-Nov '19). The main value of the service is the scale that determines the success of the project. The company expects to reach critical mass in 3Q20. We value the potential additional upside of the project separately and we do not include it in P&L forecasts (we take it into account in the DCF valuation). To determine Comp's target price, we rely 100% on the DCF method, which indicates PLN 61.6 per share. Recommendation Hold.

m PLN	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)	0,0	9,6	3,1	6,4	4,5	1,8
P/E (x)	-	6,2	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%

Source: data of the company, Trigon DM

WSE Research Coverage Support Programme

Comp Hold

(Previous: Buy)

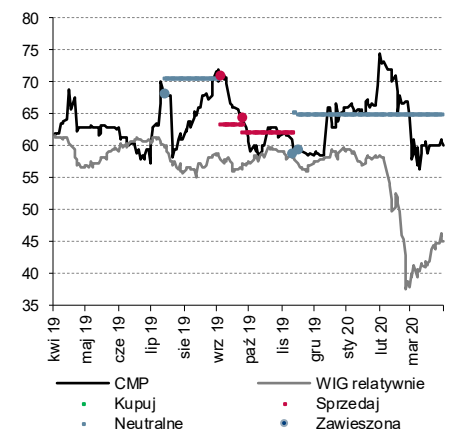
TP: PLN 61.6

Upside: 3,7%

FACT SHEET

Ticker	CMP		
Sector	IT		
Price (PLN)	59,40		
52wk Range (PLN)	56 / 75		
Number of share (m)	5,9		
Market Cap (mPLN)	344		
Free-float	39,6%		
Avg Vol 3M (mPLN)	0,03		
Price performance	1M	3M	1Y
	-1,6%	-11,8%	-6,1%

RELATIVE SHARE PRICE PERFORMANCE



Recommendation history

	Date	Price
Trzy maj	02.12.2019	65,10
Trzy maj	28.11.2019	65,30
Sprzedaj	11.10.2019	62,40
Sprzedaj	20.09.2019	63,40
Trzy maj	30.07.2019	70,80

Shareholders

Shareholders	Share %
Comp S.A.	19,2%
MetLife OFE	14,8%
Rockbridge TFI	10,5%
NN OFE	8,4%
Jacek Papaj	7,5%

Important dates

Raport I kw. '20	22.05.2020
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Analyst

Martyna Szymczykowska

Risk factors

- Risk of legal changes on the market of fiscal devices, risk of failing to scale up M/platform project, risk of increased competition in the IT and retail segments, risk of labour cost hikes in the IT business, risk of losing key employees in the field of cybersecurity.

Valuation:

- DCF: 61,6 PLN per share
- Peer group comparison: 57,7 PLN na akcję
- **Target price (100% DCF): 61,6 PLN per share**

Peer group valuation

Comp: Wycena porównawcza

	EV/EBITDA			P/E		
	2020P	2021P	2022P	2020P	2021P	2022P
Asseco Business Solutions	11,2	11,2	10,8	17,6	16,1	15,9
Asseco Poland	5,1	4,7	4,6	14,9	13,3	12,9
Asseco South Eastern Europe	8,5	8,0	7,6	17,1	14,9	14,5
Comarch	6,2	6,8	6,3	14,2	18,3	15,2
Atos	5,9	6,6	6,1	7,8	8,8	7,9
Computacenter Plc	9,0	8,5	8,1	16,1	17,2	16,3
Indra	5,8	6,1	5,6	10,0	10,1	8,3
Lectra	7,1	13,4	7,3	15,0	23,2	14,9
Neurones	4,8	5,7	5,3	14,8	17,9	16,5
Reply	12,5	12,1	10,9	22,3	22,0	19,3
Sopra	6,0	7,3	6,5	10,1	12,8	10,1
Cap Gemini	6,9	6,7	6,1	12,7	12,4	10,8
Mediana	6,5	7,1	6,4	14,9	15,5	14,7
Comp	5,1	8,1	8,3	12,7	33,7	33,1
Comp wycena	88,7	47,8	37,5	70,1	27,7	26,7

Source: Trigon DM estimates, Bloomberg

Comp: DCF valuation

	2020P	2021P	2022P	2023P	2024P	2025P	2026P	2027P	2028P	2029P	Terminal
EBIT	72,5	29,3	28,1	29,2	30,9	30,3	30,2	29,9	29,7	29,6	
Tax rate	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%	
NOPAT	58,7	23,7	22,8	23,7	25,0	24,6	24,5	24,2	24,1	24,0	23,7
Amortization	42,8	42,8	42,4	42,6	43,1	43,4	43,6	43,9	44,1	44,4	
Investments spending and leasing	51,1	39,3	41,7	42,1	42,5	43,0	43,4	43,8	44,3	44,7	
Net WC investments	-13,9	50,8	63,0	14,5	2,2	3,9	2,6	1,7	1,6	0,6	
Adj.*	0,0	16,4	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
FCF	36,5	94,5	86,5	38,7	27,9	28,9	27,2	25,9	25,5	24,2	24,4
Dług / Kapitał własny	70%										
Stopa wolna od ryzyka	2,0%										
Premia rynkowa	6,0%										
Beta nielewarowana	1										
Koszt długu po podatku (%)	3,2%										
Koszt kapitału (%)	11,4%										
WACC (%)	8,0%										
M/platform NPV **	51										
PV FCF sum 2021-29	302										
FCF growth ratio after '29	1%										
Discounted TV	161										
Minorities	30										
Net debt	228										
Equity value (mln PLN)	255										
Number of shares (mln)**	4,8										
Value per share (PLN, 1/1/2021)	53,4										
12m TP	61,6										

Źródło: Trigon DM

* płatności wynikające z rozliczenia transakcji PayTel

** dodatkowa potencjalna wartość NPV projektu M/platform

*** liczba akcji pomniejszona o akcje w lasne Comp S.A. oraz spółek zależnych

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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 – PGŚ Software S.A.

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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: Martyna Szymczykowska

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