Wednesday, December 20, 2017 | special comment

Grupa Kęty – Kęty Issues 2017 Fourth-Quarter Guidance

Rating: hold | target price: PLN 414.09 | current price: PLN 393.50

KTY PW; KTY.WA | Industry, Poland

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Kęty estimates that, on a revenue of PLN 650m (up 18% from the same period in 2016), its EBITDA figure for Q4 2017 will come in at ca. PLN 92m (+10% y/y), and net profit will post a 4.2% y/y decline due only to higher tax. The preliminary figures indicate an acceleration in sales and profits in Q4 relative to the previous quarters, when EBITDA showed expansion at annual rates of 8.9-9.7%. Kęty says it has a positive outlook for 2018 given the accelerated sales, which are driven by strong demand. The fourth-quarter preliminaries imply FY2017 results slightly ahead of Kęty's guidance at an estimated PLN 2.6bn revenue, PLN 431m EBITDA, and PLN 252m net profit.

Kęty estimates that its 2017 Q4 revenue will have increased 18% year over year to PLN 650m, driven by double-digit expansion across all operating segments. The quarterly EBITDA is set to come in at PLN 92m after a 10% y/y rise, with net profit down 4.2% to PLN 46m after higher tax. Kęty expects net debt as of 31 December 2017 to be ca. PLN 570m, an increase of PLN 180m relative to September led by a dividend payout combined with capital expenditures. This compares to our own FY0217 year-end net debt forecast of PLN 650m.

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

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NEUTRAL (N) – a rating which indicates that we expect the stock to perform in line with the broad market
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