



Thursday, March 01, 2018 | special comment

## Wasko – 2017 Q4 Results Beat Expectations

Rating: overweight | current price: PLN 2.25

**WAS PW; WAS.WA | IT, Poland**

Analyst: Paweł Szpigiel +48 22 438 24 06

**Wasko delivered Q4 2017 profits well ahead of expectations owing to a 22% year-over-year rebound in sales coupled with relatively low SG&A expenses. The Software Developer's outlook for 2018 strong, supported by the recent appointment of two seasoned Management Board members, and a PLN 2.3bn contract won in 2017 jointly with Nokia and others, in which it has a PLN 500m stake. With the net profit for 2019 projected at PLN 36m, WAS is trading at an appealing 11.9x 2019E P/E.**

- At PLN 85.4m, the revenue for Q4 2017 showed a year-on-year rebound of >22%.

- Due to a higher share of hardware in the sales mix (up to 22.6% in Q4'17 vs. 11.2% in Q4'16), while the gross profit margin on hardware sales narrowed from 19.7% to 13.8%, the quarterly sales margin contracted by 3.1pp to 19.3%. The gross profit came in at PLN 16.5m.
- SG&A expenses proved much lower than our PLN 12.5m forecast at PLN 7.9m after rising less than seasonally expected. One-time charges in Q4 2017 were low at PLN 0.6m compared to PLN 2.7m in the same period the previous year and PLN 1.0m anticipated by us.
- On higher sales and lower SG&A, the quarterly earnings figures exceeded our estimates by a high margin, with net profit showing a beat of a whopping 160%.
- Operating cash flow in Q4 2017 was weak at a negative PLN -8.3m, due mainly to negative changes in receivables to the tune of PLN 36.4m.

### Q4 2017 actuals vs. expectations

(PLN m)	Q4'17	Q4'16	change	Q4'17E	differ.	2017	2016	change
Revenue	85.4	69.9	22.2%	72.7	17.5%	247.4	209.3	18.2%
EBITDA	11.6	6.0	92.5%	6.1	88.9%	26.1	14.3	83.0%
EBITDA margin	13.6%	8.6%	-	8.5%	-	10.6%	6.8%	-
EBIT	8.1	2.4	236.0%	2.8	187.5%	12.5	0.0	-
Pre-tax income	8.1	2.6	213.8%	3.0	168.4%	13.3	1.9	606.3%
Net income	6.1	2.3	170.6%	2.3	160.3%	10.1	0.4	2,529.4%

Source: Wasko, E - estimates by Dom Maklerski mBanku; Consensus estimates provided by PAP

#### 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  
**UNDERWEIGHT (UW)** – a rating which indicates that we expect the stock to underperform the broad market

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**Discounted Dividends (DDM)** – discounting of future dividends; the weak point is high sensitivity to changes in the assumptions as to future dividends made in the valuation model.  
**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.

## Dom Maklerski mBanku

Senatorska 18  
00-082 Warszawa  
<http://www.mbank.pl/>

## Research Department

**Kamil Kliszcz**

director  
+48 22 438 24 02  
[kamil.kliszcz@mbank.pl](mailto:kamil.kliszcz@mbank.pl)  
energy, power generation

**Jakub Szkopek**

+48 22 438 24 03  
[jakub.szkopek@mbank.pl](mailto:jakub.szkopek@mbank.pl)  
industrials, chemicals, metals

**Piotr Bogusz**

+48 22 438 24 08  
[piotr.bogusz@mbank.pl](mailto:piotr.bogusz@mbank.pl)  
retail

**Michał Marczak**

+48 22 438 24 01  
[michal.marczak@mbank.pl](mailto:michal.marczak@mbank.pl)  
strategy

**Paweł Szpigel**

+48 22 438 24 06  
[pawel.szpigel@mbank.pl](mailto:pawel.szpigel@mbank.pl)  
media, IT, telco

**Michał Konarski**

+48 22 438 24 05  
[michal.konarski@mbank.pl](mailto:michal.konarski@mbank.pl)  
banks, financials

**Piotr Zybala**

+48 22 438 24 04  
[piotr.zybala@mbank.pl](mailto:piotr.zybala@mbank.pl)  
construction, real-estate development

## Sales and Trading

### Traders

**Piotr Gawron**

director  
+48 22 697 48 95  
[piotr.gawron@mbank.pl](mailto:piotr.gawron@mbank.pl)

**Jędrzej Łukomski**

+48 22 697 49 85  
[jedrzej.lukomski@mbank.pl](mailto:jedrzej.lukomski@mbank.pl)

**Andrzej Sychowski**

+48 22 697 48 46  
[andrzej.sychowski@mbank.pl](mailto:andrzej.sychowski@mbank.pl)

**Krzysztof Bodek**

+48 22 697 48 89  
[krzysztof.bodek@mbank.pl](mailto:krzysztof.bodek@mbank.pl)

**Adam Prokop**

+48 22 697 47 90  
[adam.prokop@mbank.pl](mailto:adam.prokop@mbank.pl)

**Tomasz Galanciak**

+48 22 697 49 68  
[tomasz.galanciak@mbank.pl](mailto:tomasz.galanciak@mbank.pl)

**Tomasz Jakubiec**

+48 22 697 47 31  
[tomasz.jakubiec@mbank.pl](mailto:tomasz.jakubiec@mbank.pl)

**Szymon Kubka, CFA, PRM**

+48 22 697 48 54  
[szymon.kubka@mbank.pl](mailto:szymon.kubka@mbank.pl)

**Magdalena Bernacik**

+48 22 697 47 35  
[magdalena.bernacik@mbank.pl](mailto:magdalena.bernacik@mbank.pl)

## Sales, Foreign Markets

**Marzena Łempicka-Wilim**

deputy director  
+48 22 697 48 82  
[marzena.lempicka@mbank.pl](mailto:marzena.lempicka@mbank.pl)

**Bartosz Orzechowski**

+48 22 697 48 47  
[bartosz.orzechowski@mbank.pl](mailto:bartosz.orzechowski@mbank.pl)

## Private Broker

**Kamil Szymański**

director, active sales  
+48 22 697 47 06  
[kamil.szymanski@mbank.pl](mailto:kamil.szymanski@mbank.pl)

**Jarosław Banasiak**

deputy director, active sales  
+48 22 697 48 70  
[jaroslaw.banasiak@mbank.pl](mailto:jaroslaw.banasiak@mbank.pl)