

Friday, March 02, 2018 | special comment

Famur – Mining Equipment Maker Posts In-Line Q4 Results

Rating: buy | target price: PLN 7.29 | current price: PLN 6.14

FMF PW; FMF.WA | Machinery, Poland

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Famur's final 2017 Q4 core earnings figures confirmed the preliminary results released a week ago. It is worth noting the strong operating cash flow generated in the period, resulting in lower-than-expected FY2017 year-end net debt. In addition, a PLN 62.8m surge in hedged FX positions during Q4 reflects a rising trend in bookings from foreign customers. All in all, we have a neutral view on Famur's performance in the fourth quarter.

- At PLN 491.7m, the Q4 2017 revenue of Famur was 17% higher than our forecast and 14% higher than the market consensus, with the positive surprise owed mainly to the segments of surface mining equipment and services .
- The sales margin after SG&A expenses exceeded our 6.7% estimate at 7.1% after rising from the quarter-before level of 6.9%.

- Famur recognized a number of one-time charges in Q4, including a tax allowance, an interest charge, and a deferred tax reversal, not offset by a one-time gain from a reversal of a provision for warranty repairs.
- Adjusted for the one-time items, the quarterly EBITDA proved 13.4% higher than the consensus estimate.
- Operating cash flow amounted to PLN 85.4m in Q4 2017 vs. PLN 194.9m in Q4 2016. In spite of a PLN 38.1m increase in working capital, net debt as of 31 December 2017 showed a decrease of PLN 10.4m from September at PLN 79.9m (0.3x 12M EBITDA), a level well below our PLN 114.8m forecast.

Q4 2017 actuals vs. expectations

(PLN m)	Q4'17 (adj.)	Q4'16	change	Q4'17E	differ.	consensus (median)	differ.	2017E	2016	change
Revenue	491.7	304.8	61.3%	421.1	16.8%	430.4	14.2%	1 458.1	1 029.7	41.6%
EBITDA	93.5	62.0	50.8%	83.2	12.5%	82.5	13.4%	292.1	238.6	22.4%
EBITDA margin	19.0%	20.4%	-	19.7%	-	19.2%	-	27.2%	23.2%	-
EBIT	36.9	32.2	14.8%	28.2	31.2%	24.2	52.6%	117.0	113.7	2.9%
Pre-tax profit	25.4	31.0	-18.1%	24.4	3.9%	-	-	81.5	105.1	-22.5%
Net profit	12.2	26.3	-53.6%	12.9	-5.6%	17.2	-29.1%	48.5	93.8	-48.3%

Source: Famur, 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

OVERWEIGHT (OW) – a rating which indicates that we expect a stock to outperform the broad market
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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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.

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