



Wednesday, May 16, 2018 | special comment

Pfleiderer Group – 2018 Q1 Results

Rating: overweight | current price: PLN 38.90

PFL PW; PFLP.WA | Wood Processing, Poland & Germany

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Pfleiderer Group managed to overcome persistent cost pressures in the first quarter of 2018 thanks to higher prices of wood-based products, which offset more expensive chemical inputs. This was reinforced by investment in higher value-add products. Pfleiderer stock is currently trading at 16.0x 2018 P/E and 6.6x EV/EBITDA. Combined, the share buyback completed earlier this year, and the planned cash dividend, make for a total 2018 distribution to Pfleiderer shareholders of EUR 35 million (6% of market cap) compared to over EUR 50+ million (9% of market cap) paid last year. Pfleiderer is one of our few overweight calls in the Polish industrial sector, with the growth prospects for the rest of the year buoyed by a continuing upward trend in the prices of wood-based panels.

At EUR 269m, the Q1 2018 revenue of Pfleiderer came in line with our estimate and the market consensus.

Compared to the same period last year, the Company reduced production fiberboard and laminates by 2% and 5%, respectively, while increasing the volume of higher value-added MDF by 8% - one of the reasons behind the rebound in first-quarter profits, alongside a general rebound in wood-based panel prices in European markets.

EBITDA in Q1 2018 showed year-over-year growth of 18.6% to a higher-than-forecast EUR 36.5m, representing a reversal of the downward trend in earnings observed during 2017, led by rising costs of chemical inputs.

Pfleiderer generated strong operating cash flow of EUR 18.4m in Q1 2018, an increase on the year-ago figure of EUR 11.9m. Net debt in the quarter grew by EUR 27m to EUR 281.9m (2.2x 12M EBITDA), but this was driven by capital investment (EUR 21.7m) and the share buyback (EUR 18.6m).

2018 Q1 actuals vs. expectations

(EUR m)	Q1'18	Q1'17	change	Q1'18E	differ.	Consensus (mediana)	differ.	2018E	2017	change
Revenue	268.8	252.4	6.5%	272.6	-1.4%	269.9	-0.4%	1,065.3	1,006.4	5.9%
EBITDA	36.5	30.8	18.6%	30.0	21.7%	34.4	6.1%	135.7	120.0	13.2%
EBITDA margin	13.6%	12.2%		11.0%		12.7%		12.7%	11.9%	
EBIT	18.0	12.4	44.6%	11.2	60.1%	15.1	19.1%	61.0	46.1	32.3%
Net income	7.3	10.4	-29.2%	6.0	22.5%	8.4	-12.7%	37.0	17.1	116.1%

Source: Pfleiderer, 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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