

Friday, August 31, 2018 | special comment

Boryszew – Company Posts Disappointing 2018 Q2 Results

Rating: neutral | current price: PLN 6.89

BRS PW; BRS.WA | Industry, Poland

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Despite a sizable rebound achieved by its listed aluminum unit Impexmetal, the 2018 Q2 results of Boryszew showed disappointing declines from the comparable year-ago levels, caused by a continuing slump in the segment of automotive parts. This comes on the heels of a profit warning issued earlier this month by Boryszew's German rival in plastic auto parts, Polytec Holding, with sentiment further dampened by yesterday's announcement that the planned sale of a metal rolling mill might fall through because of financing issues experienced by the buyer.

- 2018 Q2 revenue showed a y/y rise of 3.8%.
- After adjustment for a one-time boost of PLN 14m, the quarterly EBITDA at PLN 106m showed a narrow miss relative to our estimate even after a 36% y/y rebound achieved by Impexmetal, which resulted in a 40% segmental EBITDA beat.
- The culprit was the Automotive segment, with a quarterly EBIT of PLN 11.1m (including a PLN 7.7m one-time boost) coming in well below our PLN 24.0m forecast. Boryszew explained the weak performance with the zloty's appreciation versus the euro, combined with higher costs of basic materials and labor
- Operating cash flow in Q2 amounted to PLN 93.6m, of which PLN 72.4m provided by Impexmetal. Despite the high OCF, net debt increased by PLN 4.8m during the second quarter, reaching PLN 1,050m at 30 June (2.4x 12M EBITDA).
- Boryszew achieved 48% of our FY2018 EBITDA forecast and 39% the net profit target in the first half of the year.

Q2 2018 actuals vs. expectations

| (PLN m) | Q2'18 | Q2'17 | change | Q2'18E | differ. | 2018E | 2017 | change |
|---------------|---------|---------|--------|---------|---------|---------|---------|--------|
| Revenue | 1,626.7 | 1,567.7 | 3.8% | 1,584.7 | 2.6% | 6,501.4 | 6,290.4 | 3.4% |
| EBITDA | 120.3 | 127.1 | -5.3% | 110.4 | 9.0% | 482.5 | 469.2 | 2.8% |
| EBITDA margin | 7.4% | 8.1% | | 7.0% | - | 7.4% | 7.5% | |
| EBIT | 81.7 | 95.3 | -14.2% | 74.9 | 9.1% | 340.3 | 335.4 | 1.5% |
| Net profit | 37.0 | 66.1 | -44.0% | 42.5 | -12.9% | 190.6 | 173.0 | 10.2% |

Source: Boryszew, E - estimates by Dom Maklerski mBanku;

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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