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## Pfleiderer Group – 2018 Q3 Results

Rating: neutral | current price: PLN 28.20

**PFL PW; PFLP.WA | Wood Panels, Poland, Germany**

Analyst: Jakub Szkopek +48 22 438 24 03

**Pfleiderer delivered a beat with its 2018 Q3 results, supported by a one-time boost of EUR 4.3m to the quarterly bottom-line profit. However the recurring business also did well in Q3, with sales of HDF/MDF, HPL, and laminates posting substantial growth despite weaker demand from the furniture industry. Pfleiderer has also raised its long-term revenue target through 2021 from EUR 1.2bn to EUR 1.3bn.**

2018 Q3 revenue topped or forecast and fulfilled the consensus forecast, rising nearly 9% year on year in line with increased sales volumes achieved across all almost product lines. The higher sales despite weaker demand from the furniture industry were accompanied by successful efforts to raise product prices.

EBITDA exceeded expectations in Q3 despite increased cost pressures. Other operating activity in the period produced a one-time charge of EUR 1.9m.

Thanks to a high, EUR 4.3m gain on FX differences (vs. –EUR 2.2m in Q3'17), net profit in Q3 came 43% ahead of our forecast and topped the consensus forecast by 35%.

Operating cash flow was EUR +19.4m in Q3 2018 vs. EUR +36.0m in Q3 2017, and net debt during the quarter increased by EUR 95.7m to EUR 385mm (2.8x 12M EBITDA), fueled above all by an EUR 89m share buyback.

### Q3 2018 actuals vs. expectations

(EUR m)	Q3'18	Q3'17	change	Q3'18E	differ.	consensus (median)	differ.	2018E	2017	change	YTD*
Revenue	266.5	244.9	8.8%	254.7	4.6%	265.9	0.2%	1,092.5	1,006.4	8.6%	73.2%
EBITDA	35.2	30.1	17.1%	32.1	9.7%	34.5	2.1%	140.7	120.0	17.3%	74.3%
EBITDA margin	13.2%	12.3%		12.6%		13.0%		12.9%	11.9%		
EBIT	15.2	11.8	29.5%	13.0	17.2%	15.2	0.2%	66.0	46.1	43.2%	71.4%
Net income	9.8	0.4	2,088.2%	6.9	43.1%	7.3	34.6%	39.5	17.1	130.5%	39.5%

Source: Grupa Pfleiderer, E - estimates by Dom Maklerski mBanku; Consensus estimates provided by PAP \*Actual YTD figure as a pct. of FY2018E

## 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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**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 Kliszczyk**

director  
+48 22 438 24 02  
[kamil.kliszczyk@mbank.pl](mailto:kamil.kliszczyk@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

**Aleksandra Szklarczyk**

[aleksandra.szklarczyk@mbank.pl](mailto:aleksandra.szklarczyk@mbank.pl)  
construction, real-estate development

**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

**Mikołaj Lemańczyk**

[mikolaj.lemanczyk@mbank.pl](mailto:mikolaj.lemanczyk@mbank.pl)  
financials

## 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 Client Sales

**Kamil Szymański**

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

**Jarosław Banasiak**

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