

Tuesday, May 04, 2021 | special comment

## Cognor: 2021 Q1 Results

Rating: hold | target price: PLN 3.19 | current price: PLN 3.16

**COG PW; COGP.WA | Industrials, Poland**

Analyst: Jakub Szkopek +48 22 438 24 03

**Cognor's 2021 first-quarter profit came out well ahead of expectations thanks to higher sales margins and positive FIFO effects. On top of that the Company reduced debt in Q1 after stronger-than-anticipated operating cash flow. FIFO effects are not likely to provide as big a boost to profits in future quarters, however at the moment our FY2021 expectations for Cognor look conservative.**

- Cognor's quarterly revenue showed a 27% rebound from the same period a year earlier at PLN 584m. This despite small volume contraction of 0.7%, more than offset by soaring prices of steel.
- EBITDA came in at an impressive PLN 80m versus PLN 56m expected by us. The positive impact of FIFO accounting totaled PLN 26.5m vs. PLN 15m expected and PLN 8.8m in Q1'20. Also contributing to higher profits were increased sales margins and the zloty's weakness relative to the euro.
- Recurring EBITDA at PLN 75.4m still showed a 34% beat over our estimate.
- The upward trend in steel markets has continued into Q2 2021 and so the FIFO effects of Q1'21 will probably be completely monetized in operating cash flow.
- Operating cash flow in Q1 2021 amounted to PLN 53m vs. PLN 40m in Q1'20 and PLN 17m expected by us. Cognor reported having net debt of PLN 126.2m as of 31 March 2021, equivalent to just 0.8x EBITDA'12M, a low ratio that we take as a harbinger potentially of higher 2021 dividends.

### 2021 Q1 results vs. expectations and prior periods

(PLN m)	Q1'21	Q1'20	Y/Y	Q1'21E	differ.	2021	2020	Y/Y	YTD
Revenue	584.1	460.1	26.9%	587.6	-0.6%	2 268.5	1 733.2	30.9%	25.7%
EBITDA	80.1	30.5	162.5%	56.2	42.5%	158.3	114.2	38.6%	50.6%
margin	13.7%	6.6%	-	9.6%		7.0%	6.6%		
EBIT	66.8	19.1	250.2%	43.7	52.7%	109.8	66.5	65.0%	60.8%
Net profit	43.0	3.0	-	33.0	30.5%	78.4	32.7	139.9%	54.9%

Source: Cognor, E – mBank estimates; \*YTD results as a pct. of FY estimate

### Quarterly revenue and cash flow overview

(PLN m)	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Y/Y	Q1'21E	differ.
Revenues	399.5	466.1	460.1	456.0	372.3	444.9	584.1	27%	587.6	-1%
EBITDA (adj.)	12.9	19.3	28.0	28.9	11.5	23.2	75.4	169%	56.2	34%
One-time events	4.0	0.5	2.5	10.0	9.7	0.4	4.6	86%	0.0	-
Operating cash flow	28.9	81.5	40.3	52.6	26.7	86.5	53.2	32%	16.9	216%
Net debt	285.6	225.9	260.0	226.0	218.3	164.0	126.2	-51%	139.6	-10%

Source: Cognor, E – mBank estimates

**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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**ACCUMULATE** – we expect that the rate of return from an investment will range from 5% to 15%  
**HOLD** – we expect that the rate of return from an investment will range from -5% to +5%  
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**Economic profits** – discounting of future economic profits; the weak point is high sensitivity to changes in the assumptions made in the valuation model.

**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.

**mBank S.A.**  
Prosta 18  
00-850 Warszawa  
<http://www.mbank.pl/>

## Research Department

Kamil Kliszczyk  
director  
+48 22 438 24 02  
[kamil.kliscz@mbank.pl](mailto:kamil.kliscz@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 Poniatowski  
+48 22 438 24 09  
[piotr.poniatowski@mbank.pl](mailto:piotr.poniatowski@mbank.pl)  
industrials

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

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

Mikołaj Lemańczyk  
+48 22 438 24 07  
[mikolaj.lemanczyk@mbank.pl](mailto:mikolaj.lemanczyk@mbank.pl)  
financials

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

Aleksandra Szklarczyk  
+48 22 438 24 04  
[aleksandra.szklarczyk@mbank.pl](mailto:aleksandra.szklarczyk@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)

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

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

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

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

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

### Sales, Foreign Markets

Marzena Łempicka-Wilim  
deputy director  
+48 22 697 48 82  
[marzena.lempicka-wilim@mbank.pl](mailto:marzena.lempicka-wilim@mbank.pl)

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

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

## Private Client Sales

Kamil Szymański  
director  
[kamil.szymanski@mbank.pl](mailto:kamil.szymanski@mbank.pl)

Jarosław Banasiak  
deputy director  
[jaroslaw.banasiak@mbank.pl](mailto:jaroslaw.banasiak@mbank.pl)