

Tuesday, March 30, 2021 | update

Comarch: buy (reiterated)

CMR.PW; CMR.WA | IT, Poland

Strong 2020 Q4 Results, Attractive Multiples

Comarch smashed expectations with its 2020 fourth-quarter results, with an over-41% EBITDA boost to make to a record-high FY2020 full-year total of PLN 272m. Overall Comarch had a very strong year in 2020 despite the pandemic, with sales up by 7% from the previous year and a strong sales margin of 29.5%. With tight cost management, reflected in restrained hiring, combined with savings facilitated by remote working, the Company also generated healthy cash flow for the year. When it comes to prospects for FY2021, since not much is known about Comarch's order backlog at the moment except that it is "several percent" higher than last year, we are prompted to adopt a conservative approach to our earnings predictions; we assume that revenue in 2021 will register a modest, 4% rise, accompanied by a lower sales margin of 28.2% after a year-over-year decrease of 1.3pp to a level equivalent to the average margin recorded in the last five years. Our prudent assumptions leave room for positive surprises, in particular in the segment of TMT Solutions, where we are currently expecting flat revenue growth in 2021 after an over-10% fall in 2020. We see EBITDA in 2021 as reaching PLN 252m. On our updated estimates CMR stock is currently trading at 6.2x 2021E EV/EBITDA and 16.1x P/E, values that show huge undeserved discounts of 46% and 13%, respectively, to the corresponding peer multiples. We maintain a buy rating for CMR, with the price target raised to PLN 267.0 per share.

2020 Q4 Results

Comarch generated 2020 Q4 EBITDA 40% ahead of our expectations on a revenue which at PLN 474.0m showed an increase of 13.8% from the same period a year earlier. By customer segment, along with a decline in sales to the TMT sector, Comarch registered a year-over-year rebound of 62.1% in revenue from the Finance & Banking segment. The gross profit margin amounted to 32.9% in Q4 vs. 30.0% expected after a YoY bounce led most likely by a combination of larger sales of proprietary software, scaled-back hiring throughout 2020, reduced operating costs achieved with a work-from-home set-up, and, to a lesser extent, the euro's decline versus the zloty. Quarterly EBITDA came in at PLN 89.1m, and net profit was PLN 51.8m.

FY2021 Outlook

Comarch revealed at the fourth-quarter earnings call that its backlog for 2021 was "several percent" bigger than this time last year. The Company kept toning down backlog expectations for backlog all through 2020. Based on this we assume that revenues in 2021 will increase by 4.2%, and, after taking into consideration Comarch's concern over increasing uncertainty as the pandemic persists we assume conservatively that the gross margin for 2021 will decline by 1.3pp, to the average level recorded in the last five years, and continue to narrow in the years following. We do see upside risk to our forecast if Comarch is able to boost revenues from the TMT segment beyond our expectations of flat growth after the 10% drop last year; another potential upside surprise would be if the Company stems the declines in sales to the Retail & Service sector.

(PLN m)	2019	2020	2021E	2022E	2023E
Revenue	1,437.4	1,536.3	1,601.4	1,689.7	1,766.7
EBITDA	228.3	271.9	251.7	254.2	257.7
EBITDA margin	15.9%	17.7%	15.7%	15.0%	14.6%
EBIT	143.4	186.8	163.7	163.4	163.9
Net income	104.8	118.7	110.8	113.8	117.1
P/E	17.0	15.0	16.1	15.6	15.2
P/CE	9.4	8.7	9.0	8.7	8.4
P/B	1.8	1.6	1.5	1.4	1.3
EV/EBITDA	7.5	6.0	6.2	5.9	5.5
DPS	1.50	1.50	1.50	1.50	1.50
Dividend Yield	0.7%	0.7%	0.7%	0.7%	0.7%

Current Price	PLN 219.00
Target Price	PLN 267.00
Market Cap	PLN 1.66bn
Free Float	PLN 1.08bn
ADTV (3M)	PLN 1.8m

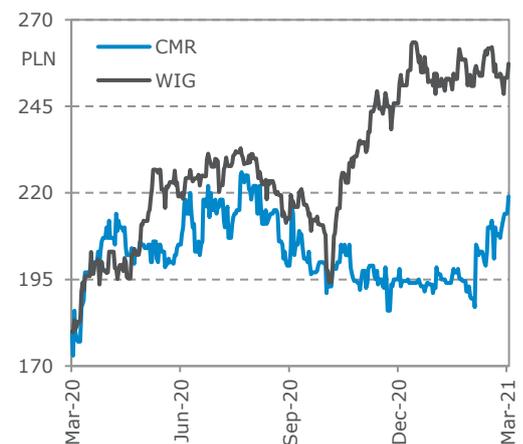
Ownership

Janusz Filipiak	24.55%
Elżbieta Filipiak	10.40%
NN PTE	10.41%
MetLife PTE	10.34%
Others	44.29%

About

Comarch is a software developer and integrator with a presence spanning over 100 countries on six continents. The Company has earned top marks in the Gartner Vendor Rating and the Truffle 100. Comarch operates its own data centers which support the delivery of services across various models, including SaaS, Cloud, and Managed Services.

CMR vs. WIG



	Target Price		Rating	
	new	old	new	old
Comarch	267.00	247.60	buy	buy
	Current Price		9MTP	Upside
	Comarch	219.00	267.00	+21.9%
Forecast Update		2021E	2022E	2023E
Revenue		-1.1%	-0.6%	-0.2%
EBITDA		6.0%	5.8%	4.6%
Net Profit		3.7%	6.7%	7.4%

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Key Risks

Workplace Covid Infections

Like all businesses, Comarch adapted its workplace conditions to health and safety guidelines under pandemic requirements. The Company has complied with all the rules and restrictions issued by the government and health authorities, including by shifting to a work-from-home model on a broad scale, and by switching to remote conferencing tools in its communications with customers and business partners. Despite all these measures, a risk remains that normal business operations will get disrupted because of a coronavirus case among employees or associates.

Loss of Business Due to Covid

The coronavirus crisis can be expected to have a negative effect on the technology sector through reduced orders for services and solutions. Comarch runs a well-diversified business model which offers a wide product mix to customers from different sectors of the economy and different geographic regions. The Company generates more than 60% of its revenues from recurring sources, but the remaining 40% are derived from the SME sector (>20% in 2019) and the retail sector (>17% in 2019), where the negative effects of the coronavirus crisis might take longer to overcome than in other industries.

Increase in Labor Costs

Payroll accounts for a major part of Comarch's operating expenses. In 2020, its average pay, which is among the highest in Poland, increased by several percent. Comarch tries to mitigate pay pressures by taking on fresh graduates as interns and then hiring them full time. Internships offset staff attrition, however Comarch still faces risk of greater turnover and an unavailability of skilled tech specialists at its current pay rates.

Legislative Risk

Comarch's operations are governed by Polish laws and regulations, including in particular the Labor Law, which determines the size of the Company's payroll expenses. Certain changes in the labor laws might drive increases in the employment costs of doing business.

Investment in Real Estate and Non-Core Assets

Comarch has invested substantial amounts of money in its own office buildings and data centers, and while some of these investments can be considered necessary we feel others could have been eschewed in favor of higher dividends. As a reminder, Comarch owns the MKS Cracovia local football team, based in Krakow, for which it has built new training facilities. To be fair, Cracovia did get paid handsomely in 2018 for two of its players sold to foreign clubs.

Low Dividends

Comarch enjoys a healthy balance-sheet position with net cash of PLN 162m reported at the end of 2020 – another year in a row ended with a cash surplus. Comarch generates high operating cash flow, but it pays very modest dividends (PLN 1.50 per share in 2020). In our opinion, the Company can afford much more generous payouts.

Liquidated Damages

Comarch is always at risk of claims under liquidated damages and warranty clauses contained in its many contracts with customers and business partners.

Exchange Rate Risk

Comarch generates a substantial portion of revenues in euros and dollars, causing EBIT to fall any time the zloty, which is the main currency in which the Company incurs expenses, strengthens vis-à-vis these currencies.

Public Procurement

Comarch's exposure to the public sector puts it at risk of low contract margins due to high competitive pressures, and results in slow periods in terms of new business acquisition. For example, back in 2017 Comarch outbid others in a PLN 374m tender for systems maintenance for a public authority with a price quote of PLN 242m compared to PLN 431m offered by the highest bidder. Despite having won the call, Comarch's shares fell after the announcement on rumors that at such a cheap price the contract left little by way of profit margin.

Risk Of Failed Acquisitions

Comarch buys other tech companies because it wants to gain access to new tools and new markets. In some cases, the investments might not bring the desired benefits, as was the case with Thanks Again, a US-based travel loyalty company bought in 2015 for \$8 million and written off completely by 2018 after a string of failures.

Transparency In Market Communications

The way Comarch communicates with investors and analysts seems to us less transparent than practiced by listed tech peers like Asseco Poland and Asseco South Eastern Europe. While others share up-to-date and detailed backlog status on a regular basis, Comarch's backlog updates do not contain many specifics.

Valuation

Using DCF analysis and relative valuation, we set our new 9-month price target for Comarch at 267.00 per share.

(PLN)	weight	price
Relative Valuation	40%	307.58
DCF Analysis	60%	213.20
	Price	250.95
	9M target price	267.00

DCF Valuation

Assumptions:

- The forecast period is FY2021 through FY2030.
- The risk-free rate in the forecast period is 3.50%.
- We assume FCF after the forecast period will grow at a rate of 2.0%.
- Net cash is as of 31 December 2020 (PLN 162m under IFRS16). Accordingly, our future estimates take into

account depreciation of the right-of-use assets but do not factor in lease payments.

- D&A expenses in the terminal period are equal to CAPEX and lease payments.
- Beta = 1.0x.

DCF Model

(PLN m)	2021P	2022P	2023P	2024P	2025P	2026P	2027P	2028P	2029P	2030P	2030+
Revenue	1,601	1,690	1,767	1,840	1,909	1,976	2,044	2,112	2,183	2,254	
change	4.2%	5.5%	4.6%	4.2%	3.7%	3.5%	3.4%	3.4%	3.4%	3.2%	
EBITDA	251.7	254.2	257.7	263.6	266.5	268.6	269.5	270.0	269.7	268.5	
EBITDA margin	15.7%	15.0%	14.6%	14.3%	14.0%	13.6%	13.2%	12.8%	12.4%	11.9%	
EBIT	163.7	163.4	163.9	166.4	165.8	164.3	162.1	160.1	157.7	154.5	
EBIT margin	10.2%	9.7%	9.3%	9.0%	8.7%	8.3%	7.9%	7.6%	7.2%	6.9%	
Tax on EBIT	44.2	44.1	44.2	44.9	44.8	44.4	43.8	43.2	42.6	41.7	
Effective tax rate	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	
NOPLAT	119.5	119.3	119.6	121.5	121.0	119.9	118.3	116.9	115.1	112.8	
CAPEX	-99.0	-102.9	-81.7	-75.7	-77.3	-79.1	-82.1	-84.4	-89.5	-94.4	
Working capital	-8.9	-15.2	-13.8	-14.0	-14.2	-14.7	-15.3	-16.0	-16.9	-17.5	
FCF	99.5	92.0	118.0	129.0	130.3	130.5	128.3	126.4	120.6	114.9	117.2
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	
discount factor	93.9%	86.6%	79.8%	73.5%	67.7%	62.4%	57.5%	53.0%	48.8%	45.0%	
PV FCF	93.5	79.6	94.1	94.8	88.2	81.4	73.8	66.9	58.9	51.7	
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Cost of debt	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Risk-free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Risk premium	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Effective tax rate	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%
Net debt / EV	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cost of equity	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Risk premium	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

FCF growth after the forecast period	2.0%
Terminal value	1,796
Present value of terminal value	808
Present value of FCF in the forecast period	783
Enterprise value	1,591
Net debt (2019 eop, IFRS16)	-162
Other noncore assets	0
Minority interests	19
Million shares outstanding (adj.)	1,734
Equity value per share (PLN)	213.2
9M cost of equity	6.4%
9M target price (PLN)	226.8

EV/EBITDA('21) at target price	6.3
P/E('21) at target price	15.7
TV / EV	51%

Sensitivity Analysis

	FCF growth in perpetuity				
	0.0%	1.0%	2.0%	3.0%	4.0%
WACC +1.0 p.p.	240.3	250.5	262.4	276.7	294.2
WACC +0.5 p.p.	225.1	233.4	243.1	254.6	268.4
WACC	211.9	218.8	226.8	236.1	247.1
WACC -0.5 p.p.	200.2	206.1	212.7	220.4	229.4
WACC -1.0 p.p.	190.0	194.9	200.5	206.9	214.3

Relative Valuation

We compared Sygnity with a peer group based on forward P/E and EV/EBITDA multiples. Each of the forecast years FY2021, 2022, and 2023, is assigned an equal weight.

Multiples Comparison

	EV/EBITDA			P/E		
	2021E	2022E	2023E	2021E	2022E	2023E
Sap AG	15.2	14.3	13.4	21.7	20.7	19.0
Oracle Corp	11.2	10.9	10.4	15.1	14.0	13.0
CAP Gemini	11.8	10.9	10.2	18.7	16.4	15.0
Sage Group PLC	16.1	14.8	13.7	25.7	23.5	21.1
Atos	5.5	5.1	4.9	9.1	8.2	7.5
Software AG	14.9	12.2	9.7	26.1	20.8	16.0
Indra Sistemas	6.6	5.9	5.5	11.4	9.3	7.7
Fiserv Inc	16.0	14.5	13.7	22.8	19.4	17.0
Computacenter PLC	8.8	8.6	8.4	18.2	17.5	16.7
Asseco Poland	4.6	4.5	-	14.1	13.9	-
Maximum	16.1	14.8	13.7	26.1	23.5	21.1
Minimum	4.6	4.5	4.9	9.1	8.2	7.5
Median	11.5	10.9	10.2	18.5	17.0	16.0
Comarch	6.2	5.9	5.1	16.1	15.6	15.2
Premium / discount	-46.0%	-45.7%	-50.3%	-13.0%	-7.9%	-5.2%
Implied Valuation						
Value per share (PLN)	382.7	374.7	367.5	251.6	237.7	231.0
Multiple weight		50%			50%	
Year weight	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%
Equity value per share (PLN)	307.6					

Business Update

2020 Q4 Results

Comarch delivered spectacular 2020 fourth-quarter results, with EBITDA coming 40% ahead of our expectations.

At PLN 474.0m, the quarterly revenue showed an increase of 13.8% from the same period a year earlier. Of the total, PLN 344.3m came from services, representing a similar share in sales as recorded in Q4 2019, and PLN 91.1m was generated from proprietary software – a higher proportion as a percentage of total than the 18.1% registered the year before.

2020 and 2019 Q4 revenues by operating segment

(PLN m)	4Q'20	4Q'19	YoY pct. change
IT Services	344.3	302.8	13.7%
Proprietary Software	91.1	75.4	20.8%
Third-Party Software	4.4	6.2	-29.0%
Proprietary Hardware	9.3	6.7	38.8%
Third-Party Hardware	11.6	11.5	0.9%
Other	13.3	13.9	-4.3%

Source: Comarch, mBank

By customer segment, sales of solutions for the TMT sector fell 3.9% YoY in Q4 2020 to PLN 88.0m, a slower rate of decline than in Q3 (-16%) and Q2 (-42%). Comarch explained that the decline in quarterly revenues from TMT followed the completion of several big contracts for customers in South America in Q2 2020.

The biggest positive surprise in the fourth-quarter report was that Comarch was able to boost sales to the Finance & Banking sector to PLN 78.9m, an increase of 62.1% from the comparable year-ago period, driven by expansion in new markets, mainly in Asia.

The coronavirus pandemic had no noticeable effect on fourth-quarter sales. Orders from SMEs in Poland and DACH also increased relative to the year-ago levels at respective annual rates of 12.5% and 23.0%.

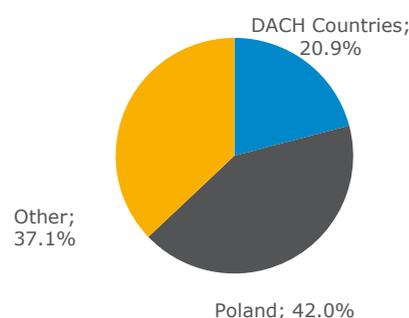
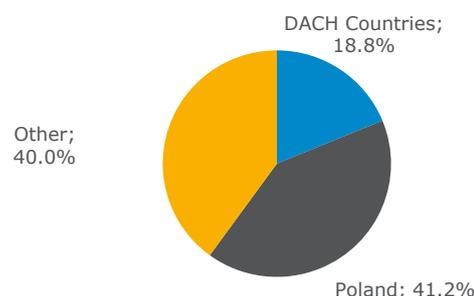
2020 and 2019 Q4 revenues by operating segment

(PLN m)	4Q'20	4Q'19	YoY pct. change
TMT	88.0	91.6	-3.9%
Finance & Banking	78.9	48.7	62.1%
Retail & Services	64.8	76.6	-15.4%
Manufacturers & Utilities	53.1	52.7	0.7%
Public Sector	56.4	34.2	64.7%
SMEs, Poland	75.5	67.1	12.5%
SMEs, DACH	36.5	29.7	23.0%
Healthcare	11.1	5.9	87.6%
Other	9.7	10.0	-3.5%

Source: Comarch, mBank

By region, domestic sales in Q4 2020 amounted to PLN 205.3m, up 14.2% from Q4 2019, and global sales totaled PLN 268.7m (+13.5% YoY), which accounted for 58.8% of the quarterly total (+13.5% YoY).

Geographic revenue breakdown, Q4 2020 (top) vs. Q4 2019 (bottom)



Source: Comarch, mBank

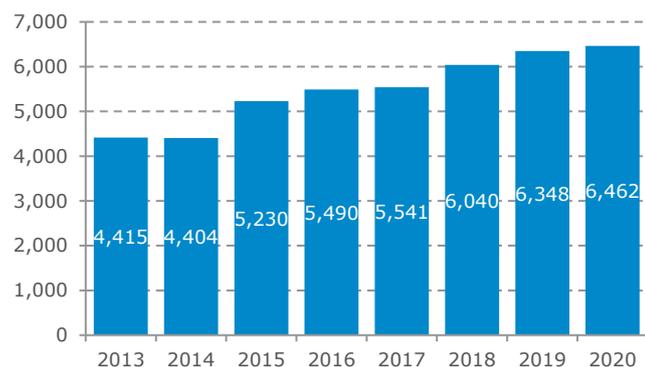
The gross profit margin amounted to 32.9% in Q4 2020 vs. our estimate of 30.0% and a year-ago margin of 25.9%. As we see it, the year-over-year growth was achieved with a combination of larger sales of proprietary software, scaled-back hiring throughout 2020, reduced operating costs achieved with a work-from-home set-up, and, to a lesser extent, the euro's decline versus the zloty as compared to the year-ago exchange rate.

Comarch reported 2020 fourth-quarter SG&A expenses of PLN 91.1m (+7.6% YoY). Other operating activity provided a PLN 4.1m net gain in Q4 after write-offs of doubtful accounts in the amount of PLN 2.6m.

After all this, EBITDA in Q4 2020 topped our estimate by 41.1% at PLN 89.1m and net profit for the quarter came in at PLN 51.8m.

Comarch did not report much hiring activity in 2020, with headcount at the end of the year only 1.8% higher than in December 2019 at 6,462. As a result, base salary expenses grew 5.4% in 2020 from 2019, a slower rise than registered in previous years.

Comarch employee headcount



Source: Comarch, E - mBank estimate

It is worth noting the strong operating cash flow generated by Comarch in 2020 at PLN 293.8m for the year versus PLN 169.0m generated in 2019. This is a result of substantial positive working capital changes including a positive change in accounts receivable totaling +PLN 63.9m and accounts payable changing by +PLN 31.6m – a reflection of a deliberate working capital management policy aimed at accumulating a robust cash buffer to absorb the risks associated with the pandemic.

Comarch spent PLN 87.4m on capital projects in 2020, including approximately PLN 39.7m invested in real estate (most notably the MKS Cracovia training facility), along with sizable purchases of equipment to facilitate remote working arrangements. In April of 2020, Comarch completed the acquisition of the French healthcare solutions company 2CSI for €2.1m.

2020 Q4 results

(PLN m)	4Q'20	4Q'19
Revenue	474.0	416.5
COGS	-318.0	-308.7
Gross profit	156.0	107.7
margin	32.9%	25.9%
SG&A	-91.1	-84.7
Other operations	4.1	8.0
EBIT	68.9	31.0
margin	14.5%	7.4%
Financing activity	-8.6	11.3
Tax	-9.9	-7.5
Noncontr. interest	-1.3	-0.3
Net income	51.8	35.2
D&A expenses	20.2	21.0
EBITDA	89.1	52.0
margin	18.8%	12.5%

Source: Comarch

Outlook for FY2021

Comarch revealed at the 2020 fourth-quarter earnings call that its backlog for 2021 was bigger by “several percent” than this time last year. During 2020, the Company kept toning down expectations for backlog expansion every quarter. At the moment we are assuming 4.2% revenue growth in 2021.

Comarch spoke of increasing uncertainty during the 2020 Q4 earnings call as the coronavirus pandemic persists. In our view, the Company might have a hard time filling the revenue gap left by the lucrative South American assignments concluded last year.

When it comes to sales margins, we assume conservatively that the margin for 2021 will decline by 1.3pp, to the average level recorded in the last five years, and continue to narrow in the years following. With slower sales momentum, considering persistent pay pressures in the IT industry, we believe Comarch could experience a squeeze on EBITDA margins this year.

We are assuming that Comarch's SG&A expenses will increase after the removal of lockdown restrictions.

With all this in mind, we are predicting that Comarch will generate EBITDA of PLN 251.7m in 2021, indicating a 7.4% fall from 2020 – a conservative assumption. We do see upside risk to our forecast if Comarch is able to boost revenues from the TMT segment rather than keeping them at a flat level as assumed by us based on the 10% drop registered in 2020; another potential upside surprise would be if the Company stems the declines in sales to the Retail & Service sector.

Forecast Revision

(PLN m)	New Forecast	Old Forecast
Revenue	1,601	1,620
EBITDA	252	238
Net Profit	111	107

Source: mBank

P&L Historical Results and Future Projection

(PLN m)	2019	2020	2021P	2022P	2023P	2024P	2025P
Revenue	1,437.4	1,536.3	1,601.4	1,689.7	1,766.7	1,840.0	1,908.6
change	5.0%	6.9%	4.2%	5.5%	4.6%	4.2%	3.7%
Cost of sales	1,016.7	1,083.8	1,150.4	1,221.0	1,281.4	1,337.2	1,389.6
Gross profit	420.7	452.5	451.1	468.8	485.2	502.9	519.0
Other operating income	34.3	51.8	0.0	0.0	0.0	0.0	0.0
Sales and marketing costs	145.5	143.2	151.5	163.9	173.1	181.6	189.8
Administrative expenses	127.9	126.8	131.3	138.5	146.8	154.9	163.4
Other operating charges	38.2	47.4	4.5	3.0	1.5	0.0	0.0
EBIT	143.4	186.8	163.7	163.4	163.9	166.4	165.8
margin	10.0%	12.2%	10.2%	9.7%	9.3%	9.0%	8.7%
D&A expenses	84.9	85.1	87.9	90.7	93.9	97.2	100.7
EBITDA	228.3	271.9	251.7	254.2	257.7	263.6	266.5
margin	15.9%	17.7%	15.7%	15.0%	14.6%	14.3%	14.0%
Financing activity	-1.0	-26.5	-12.0	-7.5	-3.5	-3.5	-3.5
Share in profits/losses of associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax profit	142.4	160.3	151.7	155.9	160.4	162.9	162.3
margin	9.9%	10.4%	9.5%	9.2%	9.1%	8.9%	8.5%
Tax	36.9	41.7	41.0	42.1	43.3	44.0	43.8
Net income	104.8	118.7	110.8	113.8	117.1	118.9	118.5
margin	7.3%	7.7%	6.9%	6.7%	6.6%	6.5%	6.2%
Shares outstanding at eop (millions)	8.13	8.13	8.13	8.13	8.13	8.13	8.13
EPS	12.89	14.60	13.62	13.99	14.39	14.62	14.57
CEPS	23.33	25.06	24.43	25.15	25.93	26.57	26.95
ROAE	11.4%	11.5%	9.7%	9.1%	8.7%	8.2%	7.8%
ROAA	5.9%	6.2%	5.4%	5.2%	5.0%	4.9%	4.7%

Balance Sheet

(PLN m)	2019	2020	2021P	2022P	2023P	2024P	2025P
ASSETS	1,842.7	1,966.9	2,093.6	2,219.0	2,342.1	2,439.1	2,536.5
Fixed assets	796.7	811.6	848.3	880.6	888.2	895.5	900.1
Property, plant and equipment	539.6	564.5	611.7	655.1	674.4	694.4	712.4
Investment property	36.6	36.6	36.6	36.6	36.6	36.6	36.6
Goodwill	40.7	40.7	40.7	40.7	40.7	40.7	40.7
Other intangible assets	56.3	46.3	35.8	24.7	12.9	0.3	-13.1
Noncurrent prepayments	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Deferred income tax assets	35.0	35.0	35.0	35.0	35.0	35.0	35.0
Other (including right-of-use assets)	85.9	85.9	85.9	85.9	85.9	85.9	85.9
Current assets	1046.0	1155.3	1245.4	1338.5	1453.9	1543.5	1636.4
Inventory	90.7	99.2	106.2	113.2	119.6	126.1	132.5
Trade and other receivables	430.2	462.7	494.6	524.1	551.4	579.9	608.8
Long-term contract receivables	193.9	206.5	218.5	229.3	238.8	248.5	258.1
Other	8.5	8.5	8.5	8.5	8.5	8.5	8.5
Cash	322.7	378.4	417.6	463.4	535.6	580.5	628.5

(PLN m)	2019	2020P	2021P	2022P	2023P	2024P	2025P
EQUITY & LIABILITIES	1,842.7	1,966.9	2,093.6	2,219.0	2,342.1	2,439.1	2,536.5
Equity	970.8	1,053.2	1,147.8	1,242.3	1,339.2	1,409.7	1,482.4
Non-current liabilities	257.4	257.4	257.4	257.4	257.4	257.4	257.4
Loans and borrowings	141.7	141.7	141.7	141.7	141.7	141.7	141.7
Provision for deferred income tax	48.7	48.7	48.7	48.7	48.7	48.7	48.7
Financial liabilities at fair value	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Other financial obligations (incl. leases)	59.0	59.0	59.0	59.0	59.0	59.0	59.0
Other liabilities	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Current liabilities	614.6	656.3	688.4	719.3	745.5	772.1	796.7
Trade and other payables	191.8	205.4	215.6	225.3	233.2	241.2	248.4
Current income tax liabilities	8.8	8.8	8.8	8.8	8.8	8.8	8.8
Revenue billed under long-term contracts	172.8	187.0	198.3	209.3	218.8	228.6	237.8
Loans and borrowings	41.1	41.1	41.1	41.1	41.1	41.1	41.1
Financial liabilities at fair value	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial obligations (incl. leases)	19.7	19.7	19.7	19.7	19.7	19.7	19.7
Provisions for other liabilities and charges	180.4	194.2	204.9	215.2	223.9	232.7	240.9
Debt	189.7	189.7	189.7	189.7	189.7	189.7	189.7
Net debt	-58.3	-114.0	-153.2	-199.0	-271.2	-316.1	-364.1
Net Debt (ex. IFRS 16)	-133.0	-188.7	-227.9	-273.7	-345.9	-390.8	-438.8
Pre-IFRS-16 Net Debt / Equity	-0.1	-0.2	-0.2	-0.2	-0.3	-0.3	-0.3
Net debt/ EBITDA**	-0.3	-0.5	-0.6	-0.8	-1.1	-1.3	-1.4
BVPS	119.4	129.5	141.1	152.7	164.7	173.3	182.3

Cash Flow

(PLN m)	2019	2020	2021P	2022P	2023P	2024P	2025P
Cash flow from operating activities	169.0	293.3	199.4	202.1	205.9	210.9	213.4
Net income	104.8	118.7	118.6	121.9	125.4	126.0	126.1
D&A expenses	84.9	85.1	87.9	90.7	93.9	97.2	100.7
Financing activity	6.5	11.6	12.0	7.5	3.5	3.5	3.5
Change in working capital and other	19.1	111.3	-19.1	-18.1	-16.9	-15.7	-16.9
Other	-46.4	-33.4	0.0	0.0	0.0	0.0	0.0
Cash flow from investing activities	-34.3	-96.7	-99.0	-102.9	-81.7	-75.7	-77.3
CAPEX	-45.0	-87.4	-99.0	-102.9	-81.7	-75.7	-77.3
Other	10.7	-9.3	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities	-58.4	-75.1	-43.8	-39.3	-35.3	-63.7	-63.7
Debt	-31.0	-41.2	0.0	0.0	0.0	0.0	0.0
Share issue	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends/Buyback	-12.2	-12.2	-12.2	-12.2	-12.2	-40.7	-40.7
Other (incl. lease payments)	-15.2	-21.7	-31.6	-27.1	-23.1	-23.1	-23.1
Change in cash	76.3	121.5	56.7	60.0	88.9	71.5	72.4
Cash at eop	322.7	447.8	504.5	564.5	653.4	724.9	797.3
DPS (PLN)	1.5	1.5	1.5	1.5	1.5	5.0	5.0
FCF	119.5	174.9	68.9	72.2	101.1	112.2	113.0
CAPEX/Sales	3.1%	5.7%	6.2%	6.1%	4.6%	4.1%	4.0%

Trading Multiples

	2019	2020	2021P	2022P	2023P	2024P	2025P
P/E	17.0	15.0	16.1	15.6	15.2	15.0	15.0
P/CE	9.4	8.7	9.0	8.7	8.4	8.2	8.1
P/B	1.8	1.6	1.5	1.4	1.3	1.2	1.1
P/S	1.2	1.2	1.1	1.1	1.0	1.0	0.9
FCF/EV	6.9%	10.8%	4.6%	4.4%	6.7%	7.9%	8.4%
EV/EBITDA	7.5	6.0	6.2	5.9	5.5	5.1	4.8
EV/EBIT	12.0	8.7	9.5	9.2	8.7	8.1	7.8
EV/S	1.2	1.1	1.0	0.9	0.8	0.7	0.7
DYield	0.7%	0.7%	0.7%	0.7%	0.7%	2.3%	2.3%
Price (PLN)	219.0	219.0	219.0	219.0	219.0	219.0	219.0
Shares outstanding at eop (millions)	8.1	8.1	8.1	8.1	8.1	8.1	8.1
MC (PLN m)	1,781	1,781	1,781	1,781	1,781	1,781	1,781
EV (PLN m)	1,723	1,619	1,560	1,505	1,422	1,356	1,288

List of abbreviations and ratios contained in the report:

EV – net debt + market value
EBIT – Earnings Before Interest and Taxes
EBITDA – EBIT + Depreciation and Amortisation
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
P/CE – Price to Cash Earnings (net income before depreciation and amortization)
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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mBank issued the following recommendations for Comarch in the 12 months prior to this publication:
Comarch

recommendation	buy	hold
issued on	2020-09-29	2020-05-13
target price (PLN)	247.60	220.30
price on rating day	204.00	210.00

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