

Monday, October 19, 2020 | special comment

## Cognor: Forecast of 2020 Q3 Results

Rating: buy | target price: PLN 2.03 | current price: PLN 1.17

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

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- Compared to the same period a year earlier, the **volume** of sales generated in Q3 2020 by Cognor is estimated to have decreased by 3% for steel bars and other products, and by 16% for non-ferrous metal scrap.
- Compounded by **lower prices**, this will most likely result in 9% revenue contraction to PLN 364m.
- On a positive note, Cognor should be able to mitigate the revenue loss thanks to its cost-effective fabrication technology, combined with lower prices of input materials. As a result, we see the Company as **reversing earnings falls** with a **10% y/y rebound in Q3 2020 EBITDA** to a projected PLN 18.5m.
- We expect net debt as of 30 September to be PLN 224m (2.2x 12M EBITDA)

### 2020 Q3 Estimates

(PLN m)	Q3'20E	Q3'19	Change	2020E	YTD
Revenue	363.5	399.5	-9.0%	1 695.5	75.5%
EBITDA	18.5	16.9	9.5%	106.8	82.4%
margin	5.1%	4.2%		6.3%	
EBIT	7.0	5.4	30.5%	58.9	90.4%
Net profit	2.5	-0.7	-	31.9	82.4%

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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**HOLD** – we expect that the rate of return from an investment will range from -5% to +5%  
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**Relative** – based on a comparison of valuation multipliers of companies from a given sector; simple in construction, reflects the current state of the market better than DCF; weak points include substantial variability (fluctuations together with market indices) as well as difficulty in the selection of the group of comparable companies.

**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.

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