

Monday, March 23, 2015 | special comment

Vistal Gdynia – Highlights of Q4 2014 Earnings Conference

Rating: buy | target price: PLN 16.40 | current price: PLN 10.20

VST PW; VST.WA | Industrials, Poland

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Key Takeaways:

- Vistal observes strong demand for infrastructure services abroad. Its current geographic mix includes Norway, Sweden, Denmark, and Finland, and in the future it would like to expand beyond Scandinavia (e.g. to Germany). Vistal is hoping the Scandinavian offices opened last year will help with the sales expansion.
- In Poland Vistal expects more than 10 major infrastructure contract opportunities to come on line this year under the new EU budget framework, and if its bids are successful such contracts could start contributing to profits in H2 2015. The infrastructure market remains competitive but as orders increase the margins are likely to widen.
- Vistal has made a bid to repair the Łazienkowski Bridge in Warsaw which suffered damage after a recent fire.
- In the Marine&Offshore segment Vistal is experiencing a slowdown in orders in the wake of last year's slump in oil prices, and it is trying to fill the gap by acquiring more orders for service vehicles, port infrastructure (cranes), and offshore wind farm infrastructure. Eventually, however, the Company expects a recovery in orders from the offshore gas and oil drilling industry.
- Vistal's order backlog at the end of 2014 was PLN 245.9m (+11% y/y, +13.5% q/q) after a 33% drop relative to 30 September in orders for Polish infrastructure combined with a 175% surge in orders for construction services, a 51.6% increase in Marine&Offshore orders, and a 4.9% rise in infrastructure orders from abroad. Moreover the value of pending bids on foreign infrastructure contracts in the period soared by 415.0%.
- Vistal has reduced 2015-2017 CAPEX plans considerably from over PLN 160m in the last three years. The 2015 CAPEX budget is PLN 12.3m followed by PLN 12.1m in 2016.
- The PLN 0.30 per-share dividend payout planned this year marks a shift in Vistal's profile. After years of intense capital investment the Company is focusing on filling up capacity. Eventually Vistal wants to be a dividend-paying company.

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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