

Thursday, July 25, 2019 | special comment

Forte – Preliminary 2019 Q2 Results

Rating: neutral | current price: PLN 32.00

FTE PW; FTE.WA | Furniture, Poland

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Forte reported lower preliminary figures for Q2 2018 than expected by us and than the corresponding year-ago results. Even adjusting for one-time charges of PLN 3m recognized in the period, the quarterly EBITDA is 3% off our forecast and down 13% on the year. Forte explains the weak results with persistent unfavorable trends in prices of wood-based panels which make it impossible to make a profit on their production and sales. We would add that the downturn in German prices was seen to accelerate in June and May, indicating equally dismal prospects for third-quarter earnings. The worse-than-expected Q2 numbers will probably cause FTE shares to drop today. On a positive note, Forte was in the clear as of 30 June in terms of loan covenants.

- 2019 Q2 revenue amounted to PLN 257m compared to a topline figure of PLN 258m posted in the same period in 2018.
- Due to low prices, despite stable costs of timber material, the margin on sales of wood-based panels was negative in Q2.
- EBIT at PLN 13m was down 44% from the comparable year-ago period, missing our estimate by 33%. EBITDA fell 22% y/y to PLN 27m in Q2, landing 13% off target.
- Forte recognized one-time charges of PLN 3m related to a need to confirm compliance under Germany's new sustainable packaging regulations.
- Forte says its debt ratios as of 30 June were within loan covenants.

2019 Q2 actuals vs. expectations

(PLN m)	Q2'19P	Q2'18	Y/Y	Q2'19E	differ.	2019E	YTD
Revenue	257.0	258.0	0%	260.6	-1%	1,157.7	49.8%
EBITDA	27.0	34.6	-22%	31.0	-13%	139.8	46.8%
EBITDA margin	10.5%	13.4%		11.9%		12.1%	
EBIT	13.0	23.2	-44%	19.4	-33%	87.5	42.8%

Source: P—preliminary estimates by Forte, E—estimates by Dom Maklerski mBanku



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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