



Thursday, November 28, 2019 | special comment

Ailleron – 2019 Q3 Results

recommendation: neutral | current price: 8.28 PLN

ALL PW; ALL.WA | IT, Poland

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Ailleron's 2019 Q3 EBITDA narrowly missed our PLN 5.0m estimate at PLN 4.6m. The quarterly loss generated by the Fintech segment came out lower than anticipated, however the year-to-date loss is still larger than we had expected. Ailleron did deliver bottom-line growth in the nine months to 30 September, but this might not be enough to achieve our FY2019 forecast of PLN 6.5m. All in all, the lackluster third-quarter performance has done nothing to change our neutral view on ALL.

- Revenue in Q3 2019 came in line with our forecast at PLN 33.9m.
- The gross margin missed the 28.7% mark at 27.4% after a rebound from the year-ago level of 25.0%, owed in part to the adoption of IFRS 16.
- SG&A expenses were in line at PLN 6.9m, rising slightly from PLN 6.4m the quarter before.
- Ailleron did not recognize any major one-time events in Q3, but it incurred a loss of PLN 0.1m on the period's financing activity.
- Third-quarter EBIT amounted to PLN 2.5m, and net profit came in at PLN 2.0m, making for a cumulative year-to-date net result of PLN 3.5m – an improvement on the prior -year figure of PLN 3.2m.
- Operating cash for for the year to 30 September was negative at PLN -0.8m vs. PLN +4.7m in the same period last year.

- By operating segment, the core Fintech business generated a lower net loss in Q3 than we had assumed based on the previous quarter's setback of a staggering PLN 5.3m. The ytd loss in Fintech amounted to PLN 6.6m compared to a net profit of PLN 2.5m in 9M 2018.
- The segment of Enterprise Services, where Ailleron discloses results from outsourcing, delivered disappointing results in Q3 2019.

Segmental breakdown of 2019 Q3 actual revenues and EBIT vs. our estimates

(PLN m)	3Q'19	3Q'19E
Revenue		
FINTECH	10.2	10.0
ENTERPRISE SERVICES	21.8	22.2
HOTELTECH	1.6	2.1
Unattr.	0.3	0.0
Total	33.9	34.3
EBIT		
FINTECH	-1.6	-3.8
ENTERPRISE SERVICES	3.9	6.4
HOTELTECH	0.1	0.3
Unattr.	0.1	0.0
Total	2.5	2.9

Source: Ailleron, E- estimates by Dom Maklerski mBanku

2019 Q3 results vs. expectations

(PLN m)	3Q'19	3Q'18	change	3Q'19E	differ.
Revenue	33.9	24.0	41.3%	34.3	-1.0%
EBITDA	4.6	2.3	101.5%	5.0	-9.3%
margin	13.5%	9.4%	-	14.7%	-
EBIT	2.5	0.3	-	2.9	-15.4%
Pre-tax profit	2.6	0.2	-	2.7	-5.3%
Net profit	2.0	0.0	-	2.4	-14.7%

Source: Ailleron, 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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HOLD – we expect that the rate of return from an investment will range from -5% to +5%
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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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