

Wednesday, September 9, 2020 | special comment

## **Boryszew – What's Next After HAK Sale?**

Rating: neutral | current price: PLN 3.39

**BRS PW; BRS.WA | Industrials, Poland**

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**On September 23rd, 2020, the European Commission is expected to clear the acquisition by Gränges AB of Boryszew's flat rolled aluminum unit, Huta Aluminium Konin (HAK). According to our calculations, the deal can help Boryszew to reduce debts below covenant limits, to a projected 2.4x EBITDA in 2021 from 5.1x expected at the end of 2020 (to finance the acquisition, Gränges has applied for a SEK 2.3bn bridge loan facility, and it intends to undertake a rights issue of approximately SEK 2bn). The Company could also pay off obligations to creditors.**

**After the divestment, assuming a rebound in demand for automotive parts, on our FY2021 estimates the implied valuation of Boryszew would be 32x 2021E P/E and 6.7x EV/EBITDA. In our assessment, the future profits from the remaining operations, consisting of automotive components, industrial chemicals, and metals processing, will exhibit even greater sensitivity to business cycles. As a result, Boryszew could be forced to close some of its automotive plastics factories.**

**Following recent sell-off, we upgrade BRS from underweight to neutral.**



**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  
**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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**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.

**mBank issued the following investment recommendations for Boryszew in the 12 months prior to this publication:**
**Boryszew**

Rating	underweight	underweight	underweight	neutral	neutral	underweight
Rating date	2020-06-08	2020-04-01	2020-01-30	2019-12-05	2019-10-30	2019-09-20
Target price (PLN)	-	-	-	-	-	-
Price on rating day	3,59	3.74	4.54	4.09	4.29	4.54

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