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Amica: Forecast of 2020 Q3 Results

Rating: overweight | current price: PLN 129.00

AMC PW; AMC.WA | Industrials, Poland

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In our opinion, Amica Group's sales on West European and Polish markets will come as a positive surprise in Q3 2020, which will offset the drop in turnover recorded in Q2 2020. Cost savings and the weakening of the zloty against the euro will translate into an increase in EBITDA and net profit by 15% YoY and 39% YoY, respectively. We expect that net debt will remain low (below the Q2 2020 level) and the Management Board will announce good sales prospects for Q4 2020 when releasing the Q3 2020 results.

- According to our estimations, Q3 2020 was a very successful quarter for Amica Group in terms of **sales** in Poland (+15% YoY) and in Western Europe (+10% YoY). The boosts in these locations will compensate for the losses incurred in Q2 2020, and as a result, the total turnover for the three quarters will be comparable to the 2019 figure. Sales in Russia were weaker (we expect -10% YoY), since the country is still battling the COVID-19 pandemic. In general, the Group is expected to post an increase in turnover by at least 7% YoY in Q3 2020.
- Unlike in Q2 2020, the **impact of the Anti-Crisis Shield** on the results in Q3 2020 will be marginal (only PLN 1.5 million). The cost savings made in Q2 2020 and the

depreciation of PLN against EUR will affect the results positively, causing EBITDA and net profit to go up by 15% YoY to PLN 71 million and by 39% YoY to PLN 45 million, respectively.

- The figures will be accompanied by positive operating cash flows and a **decrease in debt**. We forecast that net debt will amount to PLN 43 million at the end of Q3 2020, i.e. as little as 0.2xEBITDA 12M.
- When releasing the Q3 2020 results, the Management Board will probably announce **promising sales perspectives for Q4 2020**, which is likely to be greeted with enthusiasm by the market.

Summary of Q3 2020 estimates

(PLN m)	Q3'20E	Q3'19	YoY	2020E	YTD
Revenue	866.2	807.5	7%	2,941.4	72%
EBITDA	70.8	61.7	15%	228.6	69%
EBITDA margin	8.2%	7.6%		7.8%	
EBIT	56.6	47.5	19%	170.3	68%
Net profit	45.3	32.5	39%	125.7	68%

Source: Amica, 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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