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## Famur: Forecast of 2020 Q3 Results

Rating: buy | target price: PLN 2.86 PLN | current price: PLN 1.58

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**Despite unfavourable conditions on the coal market, Famur Group will close Q3 2020 with roughly unchanged EBITDA compared with the same period last year (-4% YoY) and a significantly higher net result (+21% YoY). We expect another high free cash flow in Q3 2020, translating into a PLN 249 million balance-sheet cash surplus (PLN 0.43 per share, i.e. 1/3 of the present share value). After the first three quarters of the year Famur will achieve the EBITDA and net profit forecast by us for the whole year.**

- We expect **revenue** to bounce back in Q3 2020 compared with Q2 driven by the full resumption of operational business by the main domestic clients (in Q2 2020 PGG and JSW announced a state of force majeure and stopped coal extraction in some of their mines for a month). In addition, in Q3 2020 Famur resumed deliveries of new equipment under previously awarded contracts. We expect recurring revenue to stand at ca. 50% in Q3 2020 vs 55% in Q2 2020.
- We expect net **other operational activity** to be positive owing to the likely recognition of PLN 10 million in support from the Anti-crisis Shield and PLN 16 million in revenue from a released provision for VAT after the Group won a dispute with the Tax Office. On the other hand, we assume PLN 7 million worth provisions related to the expected closure of the Piotrków Trybunalski branch.

- With profitability improved thanks to cost savings we expect the **reported EBITDA** to decrease by 4% in Q3 2020. EBITDA excluding the impact of other operational activity will decrease by ca. 70% YoY (due to a high base effect), but will be ca. 2% higher than in the previous quarter.
- Net result** will be supported by the release of provisions for interest (PLN 6 million) on VAT after the Group won a dispute with the Tax Office. In addition, the release of provisions does not have an impact on the taxable income; in consequence, we expect CIT rate to be close to 15% in Q3 2020.
- We expect the **high operating cash flow to continue** in Q3 2020. As a result, we estimate the balance-sheet cash surplus to increase to PLN 249 million at the end of the quarter or PLN 0.43 per share (i.e. 1/3 of the present share value).

### Summary of Q3 2020 estimates

(PLN m)	3Q'20E	3Q'19	YoY	2020E	YTD
Revenue	268.0	631.0	-58%	1,196.2	69.8%
EBITDA	119.0	124.0	-4%	332.5	102.2%
EBITDA margin	44.4%	19.7%		27.8%	
EBIT	77.0	73.0	5%	172.5	121.1%
Net profit	61.5	51.0	21%	136.7	105.7%

Source: Famur, E - estimates by mBank

### Historical results and 2020 Q3 estimates

(PLN m)	1Q'19	2Q'19	3Q'19	4Q'19	1Q'20	2Q'20	3Q'20E
<b>Revenue</b>	<b>473</b>	<b>521</b>	<b>631</b>	<b>541</b>	<b>344</b>	<b>223</b>	<b>268</b>
change (%)	-6%	-9%	-3%	7%	-27%	-57%	-58%
Gross profit	134	158	167	141	120	79	88
margin (%)	28%	30%	27%	26%	35%	35%	33%
Selling expenses	6	6	10	18	10	2	5
Administrative expenses	35	37	39	43	34	21	25
Other operating activity	-4	-7	-46	-79	-14	14	19
<b>EBITDA</b>	<b>135</b>	<b>157</b>	<b>124</b>	<b>35</b>	<b>109</b>	<b>112</b>	<b>119</b>
margin (%)	29%	30%	20%	6%	32%	50%	44%
EBIT	88	107	73	1	62	70	77
margin(%)	19%	21%	12%	0%	18%	31%	29%
Financial activities	-3	-7	-6	3	-9	-26	-1
<b>Net profit</b>	<b>65</b>	<b>218</b>	<b>50</b>	<b>-89</b>	<b>52</b>	<b>31</b>	<b>62</b>
Net debt	172	-133	336	220	-98	-184	-249

Source: Famur, E - estimates by mBank

**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

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