

Monday, October 19, 2020 | special comment

## Alumetal: Forecast of 2020 Q3 Results

Rating: neutral | current price: PLN 36.00

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**In our opinion, despite a 15% YoY decrease in sales volumes, Alumetal's Q3 2020 performance is likely to be close to last year's. The management board may also report high production capacity utilisation in Q4 2020 and a stable margin compared with the previous quarter. As a result, we need to revise our forecasts for Alumetal for 2020 and 2021 upwards and upgrade the rating from underweight to neutral.**

We expect sales volumes to decrease by 15% YoY (37.5k tonnes) in Q3 2020 and to grow considerably against Q2 2020 (+66% QoQ).

Q3 2020 results will be supported by aid from the Anti-crisis Shield (PLN 2 million), cost savings, and PLN/EUR depreciation. In consequence, we expect the results to be close to Q3 2019 despite the YoY decrease in sales volumes.

We assume that net debt will stand at PLN 53 million at the end of Q3 2020 (0.6x EBITDA'12M).

### Q3 2020 mBank expectations

(PLN m)	Q3'20E	Q3'19	YoY	2020E	YTD
Revenue	272.7	309.1	-12%	1 121.0	64.5%
EBITDA	21.7	22.6	-4%	80.3	72.8%
margin	8.0%	7.3%			
EBIT	13.7	14.7	-7%	48.3	71.9%
Net income	10.8	10.1	6%	37.2	71.2%

Source: Alumetal, E - estimates by mBank

### Revised forecasts for Alumetal Group for 2020-2021

(PLN m)	new forecast		old forecast		change	
	2020E	2021E	2020E	2021E	2020E	2021E
Revenue	1,121.0	1,308.6	1,151.4	1,291.3	-2.6%	1.3%
EBITDA	80.3	82.7	70.0	78.7	14.8%	5.2%
Net profit	37.2	39.8	28.6	36.1	30.2%	10.2%
DPS (PLN)	0.00	2.44	0.00	1.87	-	30.2%
Net debt	42.6	46.8	50.8	49.3	-16.2%	-5.0%
Sales volume (ths tonne)	150.4	169.7	148.3	167.5	1.4%	1.3%
Average aluminum price (PLN/t)	7,244.8	7,344.0	7,553.9	7,344.0	-4.1%	0.0%
EBITDA/t	0.5	0.5	0.5	0.5	13.1%	3.8%

### Results and financial ratios of Alumetal Group in 2014-2022E

(PLN m)	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Price (PLN)	36.00	36.00	36.00	36.00	36.00	36.00	36.00	36.00	36.00
P/E	9.3	7.1	6.1	7.8	7.4	10.9	14.7	13.8	10.9
EV/EBITDA	7.6	5.6	5.5	7.0	5.5	6.1	7.4	7.2	6.0
DYield	3.9%	5.4%	7.1%	8.1%	8.1%	11.3%	0.0%	6.8%	5.8%
Net debt / EBITDA	0.6	0.4	0.8	1.4	0.9	0.4	0.5	0.6	0.3
P/BV	1.7	1.4	1.3	1.1	1.0	1.1	1.0	1.0	0.9
P/(BV-goodwill)	1.7	1.4	1.3	1.1	1.0	1.1	1.0	1.0	0.9
Revenue	1,235.3	1,441.9	1,271.8	1,456.2	1,655.3	1,383.8	1,121.0	1,308.6	1,439.4
change (%)	21.7%	16.7%	-11.8%	14.5%	13.7%	-16.4%	-19.0%	16.7%	10.0%
EBITDA	78.3	106.6	115.9	97.0	121.4	95.4	80.3	82.7	95.9
margin (%)	6.3%	7.4%	9.1%	6.7%	7.3%	6.9%	7.2%	6.3%	6.7%
EBIT	59.0	86.4	92.7	68.9	90.8	63.4	48.3	50.6	63.7
margin (%)	4.8%	6.0%	7.3%	4.7%	5.5%	4.6%	4.3%	3.9%	4.4%
Financing activity	3.6	-6.2	1.1	-1.4	-0.3	-1.3	-2.6	-2.1	-2.1
Net profit	58.9	77.7	89.9	70.7	74.3	50.5	37.2	39.8	50.5
Net debt	45.4	46.7	94.1	131.7	114.6	36.8	42.6	46.8	31.5
Sales volume (ths tonne)	156.1	164.8	159.3	176.0	199.5	193.1	150.4	169.7	186.7
Average aluminum price (PLN/t)	7,278.4	7,216.6	6,675.2	7,982.5	8,129.5	7,431.9	7,244.8	7,344.0	7,344.0
Average sales per tonne (PLN/t)	7,913.6	8,749.3	7,981.8	8,272.6	8,297.9	7,164.7	7,451.9	7,711.2	7,711.2
EBITDA/t	0.502	0.647	0.727	0.551	0.608	0.494	0.534	0.488	0.514
(Gross profit + D&A)/t	0.790	0.941	1.000	0.818	0.886	0.768	1.162	1.098	1.157

Source: Alumetal, E - estimates by mBank

**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 Company in the 12 months prior to this publication:**
**Alumetal**

Rating	underweight	underweight	neutral	neutral	neutral	neutral	neutral	neutral	neutral
Rating date	2020-09-30	2020-07-30	2020-06-29	2020-05-21	2020-04-01	2020-02-27	2020-01-30	2019-12-05	2019-10-07
Target price (PLN)	-	-	-	-	-	-	-	-	-
Price on rating day	35,90	38,00	40,10	37,00	34,60	43,50	42,80	39,30	35,40

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