

Monday, January 18, 2021 | special comment

## Amica: Forecast of 2020 Q4 Results

Rating: neutral | current price: PLN 145.80

**AMC PW; AMC.WA | Industrials, Polska**

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**We expect to see 11% growth in EBITDA and a 27% rebound in the net profit of Amica in Q4 2020 relative to the same period a year earlier, indicating slightly higher results than our initial estimates.**

**Heading into 2021, Amica is not experiencing any shift in demand despite extended lockdown restrictions, and its factory at the moment is working at capacity. However rising costs of steel inputs, sea freight, and marketing, represent a major challenge in the year ahead that might not allow Amica to repeat the record earnings of 2020. That said, we maintain a neutral view on AMC because, on lower earnings, it is trading at relatively low multiples of 9.9x 2021E P/E and 5.8x EV/EBITDA.**

- In Q4 2020 Amica registered revenue growth of an estimated 3%, with lockdown restrictions not affecting sales in Poland or Germany unlike in Scandinavia, Southern Europe (Czech Republic and Romania) and Eastern Europe (Russia), where sales did fall compared to Q4 2019.
- With cost savings, positive FX trends, and large orders, the quarterly EBITDA might show y/y growth of 11%.

- At the moment Amica's Polish appliance factory is still running close to capacity as distributors keep orders coming despite extended lockdowns across Europe.
- On the downside we are seeing an upward trend in prices of steel (+10-15%), on which Amica spends between PLN 150-200m a year, alongside a 100% surge in shipping rates, which represent an annual cost of approximately PLN 50m. Moreover, we predict that Amica will raise its marketing budget this year by PLN 10-15m. Last but not least the Company might not receive the PLN 10m in state aid offered in 2020 as emergency.
- There is a deficit of semiconductors on the market but for now this is not affecting Amica's production capacity.

### 2020 Q4 Estimates

(PLN m)	4Q'20	4Q'19	YoY	2020E	YoY
Revenue	855.8	834.3	3%	2989.2	-1%
EBITDA	81.3	73.0	11%	262.4	18%
EBITDA margin	9.5%	8.8%		8.8%	
EBIT	66.4	58.2	14%	203.2	22%
Net profit	49.4	38.8	27%	151.7	39%

Source: Amica, E - mBank estimates

### 2020-2021 Forecast Revision

(PLN m)	New		Old		Change	
	2020E	2021E	2020E	2021E	2020E	2021E
Revenue	2,989.2	3,068.5	2,993.7	3,073.4	-0.2%	-0.2%
EBITDA	262.4	208.0	258.9	204.5	1.3%	1.7%
Net profit	151.7	114.2	151.8	111.2	0.0%	2.7%
DPS	3.00	6.00	3.00	6.00	0.0%	0.0%
Net debt	20.0	70.7	23.8	76.2	-15.9%	-7.2%

### Historical Results and 2020-2022 Projection

(PLN m)	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Price	145.80	145.80	145.80	145.80	145.80	145.80	145.80	145.80	145.80
P/E	14.5	11.9	10.1	7.7	9.9	10.4	7.5	9.9	9.7
EV/EBITDA	7.1	7.1	6.2	7.2	6.4	6.0	4.4	5.8	5.8
Dividend Yield	2.4%	2.1%	2.7%	3.8%	2.1%	2.7%	2.1%	4.1%	2.7%
Net debt/ EBITDA	0.2	0.9	0.6	1.1	0.9	1.0	0.1	0.3	0.5
P/B	2.1	1.9	1.7	1.4	1.4	1.2	1.1	1.0	0.9
P/(BV-goodwill)	2.2	2.1	1.8	1.5	1.4	1.3	1.1	1.1	1.0
Revenue	2,019.7	2,084.0	2,474.6	2,645.6	2,927.6	3,023.3	2,989.2	3,068.5	3,155.2
change (%)	22.1%	3.2%	18.7%	6.9%	10.7%	3.3%	-1.1%	2.7%	2.8%
Gross profit	634.9	693.9	780.9	768.3	803.2	852.2	821.5	813.7	836.7
Margin (%)	31.4%	33.3%	31.6%	29.0%	27.4%	28.2%	27.5%	26.5%	26.5%
EBITDA	163.9	183.9	201.2	187.9	205.2	222.5	262.4	208.0	215.1
Margin (%)	8.1%	8.8%	8.1%	7.1%	7.0%	7.4%	8.8%	6.8%	6.8%
EBIT	128.3	146.9	155.7	139.5	152.0	167.2	203.2	148.5	155.3
Margin (%)	6.4%	7.0%	6.3%	5.3%	5.2%	5.5%	6.8%	4.8%	4.9%
Financing activity	-29.3	-25.1	-17.3	-21.2	-15.4	-21.4	-9.4	-5.7	-8.5
Net profit	78.3	95.6	112.5	146.3	114.2	109.4	151.7	114.2	117.4
Net debt	37.9	170.7	115.3	216.0	179.9	212.3	20.0	70.7	114.2

Source: Amica, E - mBank estimates

**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 recommendations for Amica in the 12 months prior to publication:**

Amica					
Rating	neutral	overweight	overweight	neutral	neutral
Rating date	2020-12-08	2020-09-30	2020-07-30	2020-06-29	2020-04-01
Target price (PLN)	-	-	-	-	-
Price on rating day	149.60	136.60	145.00	120.00	84.30

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