

Wednesday, January 27, 2021 | update

Kernel: buy (reiterated)

KER PW; KER.WA | Agricultural Producers, Ukraine

A Cash Flow Powerhouse Ahead of Strong Earnings

Kernel reported strong volumes for the second quarter of fiscal 2020/21, ended 31 December 2020, indicating that the quarterly EBITDA might top our original estimate by 9% at \$550m, with net profit likely coming 23% ahead at a projected \$277m. Furthermore, after the latest rally in grain markets, we see Kernel as upgrading its FY2020/21 full-year guidance for the grain export business, represented among others by the Avere trading unit. An upgraded outlook might also be issued for the farming business considering how much grain prices have gone up since September 2020, when Kernel had still not hedged between 20% and 25% of its future sales. Kernel is due to complete a five-year investment program this year, and with more free cash we see the Company as exceeding its FY2020/21 EBITDA target of \$495m. Thanks to lower CAPEX, higher cash flow (with FCF/EV Yield upwards of 15% expected in the next two years), and relatively low debt (2.1xEBITDA at year-end FY2020/21E), Kernel's dividend capacity is about to increase substantially. Meanwhile on our 2021-2023 estimates KER stock is currently trading at discounts of no less than 30% to average sector P/E and EV/EBITDA multiples. We raise our target price for Kernel from PLN 57.39 to PLN 62.93 and we maintain our buy call on the stock.

Anticipating Strong FY2020/21 Q2 Results

Kernel grew sales volumes across all business lines in the second quarter of fiscal 2020/21 despite a reduced grain supply after a weak harvest in Ukraine. Based on the quarterly volumes, we expect EBITDA to show a 15% rebound from the same period a year earlier and we see net profit as approximating \$125m after increasing 57% on the year. By operating segment, we anticipate stable results from sunflower oil against soaring profits from export terminals and farming. Avere Commodities most likely contributed positively to the second-quarter results.

Higher Dividends Likely

Kernel is expected to end FY2020/21 with net debt of \$1.15bn, but after factoring out \$0.3bn obligations under farmland leases the figure will be closer to \$850m (1.5x EBITDA). With normalized capital investment, we see free cash flow in the next two years as reaching \$300-350m a year, which would be equivalent to FCF/EV yield greater than 15%. With these resources, Kernel can allocate money to consolidate the Ukrainian oilseed crushing capacity and acquire farmland after the current sale ban is lifted, and at the same time the Company can increase the size of dividends to shareholders. We see dividend yield as reaching 9% in the coming years without affecting the net debt/ EBITDA ratio.

(US\$ m)	18/19	19/20	20/21E	21/22E	22/23E
Revenue	3,992.1	4,106.8	6,013.9	5,244.4	5,396.3
EBITDA	345.5	443.0	550.1	494.4	481.8
EBITDA margin	8.7%	10.8%	9.1%	9.4%	8.9%
EBIT	269.2	337.3	442.5	374.8	360.4
Net profit	189.5	117.9	276.5	211.4	201.0
P/E	6.4	10.4	4.4	5.8	6.1
P/CE	4.5	5.5	3.2	3.7	3.8
P/BV	0.9	0.8	0.7	0.7	0.6
EV/EBITDA	5.5	5.1	4.3	4.5	4.4
DPS (US\$)	0.25	0.25	0.42	0.80	1.01
DYield	1.7%	1.7%	2.9%	5.5%	6.9%

Current Price	PLN 54.50
Target Price	PLN 62.93
MCap	PLN 4.6bn
Free Float	PLN 2.8bn
ADTV (3M)	PLN 9.4m

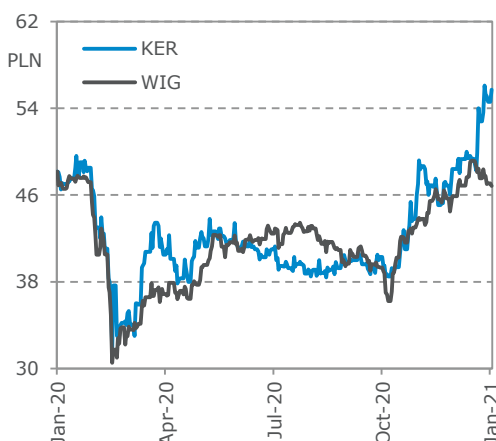
Ownership

Namsen Ltd	39.16%
Others	60.84%

About

Kernel is a grain trader and sunflower oil producer based in Ukraine. The Company operates a chain of grain silos and owns shipment terminals in Ukraine and Russia. Kernel generates over 90% of revenues in US dollars. It grows crops on approximately 510,000 hectares of leasehold farmland.

KER vs. WIG



Company	Target Price		Rating	
	new	old	new	old
Kernel	62.93	57.39	buy	buy
Company	Current Price	Target Price	Upside	
	54.50	62.93	+15.5%	
Forecast update		FY20/21	FY21/22	FY22/23
EBITDA		8.7%	7.0%	0.4%
Net Profit		23.0%	18.4%	-7.4%
Margin, Oilseeds		-2.7%	19.8%	-13.8%
Margin, Terminals		4.8%	0.3%	1.2%
Margin, Farming		14.5%	2.6%	10.2%
Oilseed Crush Volume		0.0%	0.0%	0.0%
Grain Production		0.0%	0.0%	0.0%
Terminal Volumes		0.0%	0.0%	0.0%

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Valuation

Using DCF analysis and relative valuation, we set our nine-month per-share price target for Kernel at PLN 62.93.

(PLN)	weight	price
Relative Valuation	50%	67.78
DCF Analysis	50%	44.18
	price	55.98
9M target price		62.93

Relative Valuation

We compared the P/E and EV/EBITDA multiples of Kernel with those of a group of comparable global agricultural producers.

We attached a 40% discount to Kernel's valuation to reflect heightened investment risk associated with companies based in Ukraine.

Relative Valuation

	Country	P/E			EV/EBITDA		
		2021E	2022E	2023E	2021E	2022E	2023E
ANDERSONS INC/THE	USA	18.3	-	-	7.8	-	-
ARCHER-DANIELS-MIDLAND CO	USA	14.5	14.0	13.5	9.8	9.3	9.0
ASTARTA HOLDING NV	Ukraine	4.8	4.5	4.2	3.0	2.7	2.8
BUNGE LTD	USA	12.5	12.1	11.8	8.7	9.7	-
FELDA GLOBAL VENTURES	Malaysia	29.5	22.8	-	6.4	7.7	-
GOLDEN AGRI-RESOURCES LTD	Singapore	12.8	14.1	-	6.4	6.1	-
GRAINCORP LTD-A	Australia	14.6	17.4	21.8	6.0	6.2	6.3
INDUSTRIAL MILK CO	Ukraine	11.7	-	-	6.6	-	-
MHP SA -GDR REG S	Ukraine	12.6	6.5	4.7	4.6	4.0	3.6
NISSHIN OILLIO GROUP LTD/THE	Japan	12.2	11.9	11.2	7.3	6.8	6.4
WILMAR INTERNATIONAL LTD	USA	17.4	16.2	-	14.5	13.8	-
Maximum		29.5	22.8	21.8	14.5	13.8	9.0
Minimum		4.8	4.5	4.2	3.0	2.7	2.8
Median		12.8	14.0	11.5	6.6	6.8	6.3
Kernel Holding		4.4	5.8	6.1	4.3	4.5	4.4
Premium / discount		-65.5%	-58.7%	-47.2%	-34.7%	-34.5%	-30.1%
Implied Valuation							
Median		12.8	14.0	11.5	6.6	6.8	6.3
Premium / discount		-40%	-40%	-40%	-40%	-40%	-40%
Multiple weight			50%			50%	
Year weight		33%	33%	33%	33%	33%	33%
Equity value per share (USD)	18.8						
Equity value per share (PLN)	67.8						

DCF Valuation

Assumptions:

- The risk-free rate for Ukraine (representing yields on Ukrainian 10Y Treasury bonds) is 13%, reflecting heightened economic risk.
- FCF growth after 2030 = 2.0%.
- Beta = 1.0. and the risk premium used in equity calculations is 5%.
- Net debt is as of year-end 2019/20.
- Future cash flow is discounted to present value as of the end of January 2021.

Macroeconomic Assumptions

	17/18	18/19P	19/20	20/21P	21/22P	22/23P	23/24P
UAH/USD	26.61	27.28	28.00	27.00	26.00	25.00	24.00
Y/Y pct. change	1.5%	2.5%	2.6%	-3.6%	-3.7%	-3.8%	-4.0%
Price of sunflower seeds (USD)	414	395	439	650	500	500	500
Price of sunflower seeds (UAH)	11,026	10,776	12,287	17,550	13,000	12,500	12,000
Price of sunflower oil (USD)	846	774	900	1,255	980	985	980
Price of sunflower oil (UAH)	22,499	21,129	25,188	33,885	25,480	24,625	23,520
Price of sunflower meal (USD)	181	211	186	200	200	200	200
Price of sunflower meal (UAH)	4,808	5,747	5,221	5,400	5,200	5,000	4,800
Model margin (USD/t)*	85	82	90	72	79	81	79
Model margin (UAH/t)*	2,265	2,232	2,523	1,944	2,047	2,022	1,890
Price of wheat (USD/t)	189	217	194	230	195	195	195
Price of wheat (UAH/t)	5,035	5,908	5,429	6,210	5,070	4,875	4,680
Price of barley (USD/t)	194	218	191	200	190	190	190
Price of barley (UAH/t)	5,167	5,937	5,352	5,400	4,940	4,750	4,560
Price of corn (USD/t)	180	170	192	230	190	190	190
Price of corn (UAH/t)	4,795	4,638	5,380	6,210	4,940	4,750	4,560
Price of soybeans (USD/t)	439	365	408	604	465	465	465
Price of soybeans (UAH/t)	11,672	9,968	11,424	16,317	12,087	11,622	11,157
Price of rapeseed (USD/t)	446	447	415	615	473	473	473
Price of rapeseed (UAH/t)	11,857	12,186	11,623	16,601	12,297	11,824	11,351
Export terminal throughput (1,000t)	6,065	6,013	6,666	8,966	9,466	9,655	9,200
Silo usage (1,000t)	2,136	7,150	7,902	9,402	9,902	10,100	10,302
Crop harvest (1,000t)	2,510	3,294	3,283	2,709	3,020	2,971	2,938
Grain trading volumes (1,000t)	2,136	7,150	7,902	9,402	9,902	10,100	10,302
Sales of bottled oil (million liters)	119	131	137	139	141	143	145
Sales of bulk oil (1,000t)	1,301	1,496	1,381	1,423	1,494	1,583	1,607
Sunflower seed crush volume (1,000t)	3,136	3,164	3,436	3,500	3,700	3,900	3,950

* model margin = - sunflower price / 1.2 + 0.43 * price of sunflower oil + 0.37 * price of sunflower meal

Source: mBank

Receivable VAT projection

(USD m)	17/18	18/19	19/20	20/21P	21/22P	22/23P	23/24P
VAT reclaimed	265.0	331.7	392.2	445.9	362.6	382.2	387.1
VAT receivable	114.7	117.9	132.7	141.8	149.2	157.0	164.9
VAT credit accumulated in the period	244.5	334.9	407.1	455.0	370.0	390.0	395.0
Reclaimed/Accumulated VAT	108.4%	99.0%	96.3%	98.0%	98.0%	98.0%	98.0%

Source: mBank

DCF Model

(USD m)	20/21P	21/22P	22/23P	23/24P	24/25P	25/26P	26/27P	27/28P	28/29P	29/30P	+
Revenue	6,013.9	5,244.4	5,396.3	5,461.8	5,552.9	5,624.8	5,685.6	5,749.0	5,809.8	5,821.3	5,840.6
change	46.4%	-12.8%	2.9%	1.2%	1.7%	1.3%	1.1%	1.1%	1.1%	0.2%	0.3%
EBITDA	550.1	494.4	481.8	446.8	451.5	437.6	427.9	421.4	411.2	407.6	405.9
EBITDA margin	9.1%	9.4%	8.9%	8.2%	8.1%	7.8%	7.5%	7.3%	7.1%	7.0%	6.9%
D&A expenses	107.6	119.6	121.4	123.4	125.6	127.8	130.5	132.9	135.5	138.0	137.8
EBIT	442.5	374.8	360.4	323.4	325.9	309.8	297.4	288.5	275.8	269.6	268.0
EBIT margin	7.4%	7.1%	6.7%	5.9%	5.9%	5.5%	5.2%	5.0%	4.7%	4.6%	4.6%
Tax on EBIT	22.7	17.5	16.7	13.9	14.1	12.9	12.0	11.4	10.4	9.9	9.8
NOPLAT	419.7	357.3	343.7	309.4	311.7	296.8	285.4	277.1	265.3	259.6	258.2
CAPEX	-322.0	-106.0	-120.0	-122.4	-124.8	-127.3	-129.9	-132.5	-135.1	-137.8	-137.8
Working capital	-129.7	-23.8	-28.3	-20.6	-22.2	-21.2	-19.8	-18.1	-18.0	-14.6	-15.3
	-57.47%	359.10%	-8.71%	-8.52%	0.17%	-4.88%	-3.63%	-2.53%	-4.54%	-1.00%	-0.91%
FCF	75.6	347.0	316.8	289.8	290.3	276.2	266.2	259.4	247.6	245.2	242.9
WACC	15.1%	15.3%	15.5%	15.5%	15.6%	15.6%	15.6%	15.6%	15.6%	15.6%	15.6%
discount factor	1.06	0.92	0.80	0.69	0.60	0.51	0.44	0.38	0.33	0.29	0.25
PV FCF	80.2	319.4	252.3	199.6	172.8	142.0	118.4	99.7	82.4	70.5	60.3

WACC	15.1%	15.3%	15.5%	15.5%	15.6%	15.6%	15.6%	15.6%	15.6%	15.6%	15.6%
Cost of debt	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%
Risk-free rate	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%
Risk premium	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Effective tax rate	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Net debt / EV	48.5%	44.8%	42.5%	41.3%	40.4%	39.9%	39.8%	39.7%	39.8%	39.8%	39.5%
Cost of equity	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%
Risk premium	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

FCF growth after the forecast period	2.0%
Terminal value	1,780.7
Present value of terminal value	512.3
Present value of FCF in the forecast period	1,537.3
Enterprise value	2,049.6
Net debt	1,016.8
Other noncore assets	0.0
Minority interests	1.5
Equity value	1,031.3
Shares outstanding (millions)	84.0
Equity value per share (USD)	12.3
9M cost of equity	12.4%
9M Target Price (USD)	13.8
Target price (PLN)	49.7

EV/EBITDA (FY20/21) at target price	4.2
P/E (FY20/21) at target price	4.2
TV / EV	25.0%

Sensitivity Analysis

	FCF growth in perpetuity				
	0.0%	1.0%	2.0%	3.0%	5.0%
WACC +1.0 p.p.	52.7	54.1	55.8	57.7	62.6
WACC +0.5 p.p.	55.1	56.7	58.5	60.7	66.1
WACC	57.6	59.4	49.7	63.8	69.9
WACC -0.5 p.p.	60.3	62.3	64.6	67.2	74.1
WACC -1.0 p.p.	63.2	65.4	67.9	70.9	78.7

Earnings History and Future Projections

(USD m)	17/18	18/19	19/20	20/21P	21/22P	22/23P	23/24P
Revenue	2,403.0	3,992.1	4,106.8	6,013.9	5,244.4	5,396.3	5,461.8
change	10.8%	66.1%	2.9%	46.4%	-12.8%	2.9%	1.2%
Oilseed Processing	1,393.5	1,493.0	1,547.0	2,226.7	1,882.2	1,995.6	2,016.1
Infrastructure & Trade	1,076.8	3,197.0	3,426.0	4,111.9	3,708.4	3,772.6	3,831.0
Farming	470.5	602.0	604.0	865.2	772.3	762.8	754.0
Other	-537.7	-1,300.0	-1,471.0	-1,189.9	-1,118.5	-1,134.8	-1,139.3
COGS	2,107.7	3,337.1	3,281.6	5,002.8	4,274.2	4,427.5	4,528.0
Administrative expenses	80.0	106.5	131.7	135.7	139.8	143.9	148.3
Selling expenses	153.6	307.5	363.2	412.6	435.2	443.9	441.6
Other operating activity (net)	59.1	28.2	7.0	20.3	20.4	20.5	20.6
of which fair value adjustment on biological assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA, Oilseed Processing	76.7	109.0	151.8	132.7	174.5	181.8	168.7
EBITDA, Infrastructure & Trading	100.8	105.0	215.8	248.7	236.9	236.8	230.5
EBITDA, Farming	88.7	182.0	134.2	220.2	126.6	104.1	85.5
EBITDA, Other Ops	-43.7	-50.5	-58.8	-51.6	-43.6	-40.9	-37.9
EBIT	139.6	269.2	337.3	442.5	374.8	360.4	323.4
change	-47.3%	92.9%	25.3%	31.2%	-15.3%	-3.8%	-10.3%
EBIT margin	5.8%	6.7%	8.2%	7.4%	7.1%	6.7%	5.9%
Net financing gains/losses	-90.7	-77.8	-198.8	-139.2	-140.9	-137.7	-137.5
Extraordinary gains/losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax profit	50.1	190.4	144.8	303.2	234.0	222.7	185.9
Tax	-5.9	11.9	22.1	22.7	17.5	16.7	13.9
Minority interests	-3.8	11.0	-4.9	-4.0	-5.0	-5.0	-5.0
Net profit	52.1	189.5	117.9	276.5	211.4	201.0	167.0
change	-70.4%	263.4%	-37.8%	134.6%	-23.5%	-4.9%	-16.9%
margin	2.2%	4.7%	2.9%	4.6%	4.0%	3.7%	3.1%
D&A expenses	83.0	76.3	105.7	107.6	119.6	121.4	123.4
EBITDA	222.5	345.5	443.0	550.1	494.4	481.8	446.8
change	-30.3%	55.3%	28.2%	24.2%	-10.1%	-2.5%	-7.3%
EBITDA margin	9.3%	8.7%	10.8%	9.1%	9.4%	8.9%	8.2%
Shares outstanding at eop (millions)	82.7	82.9	84.0	84.0	84.0	84.0	84.0
EPS	0.63	2.29	1.40	3.29	2.52	2.39	1.99
CEPS	1.63	3.21	2.66	4.57	3.94	3.84	3.46
ROAE	4.5%	14.0%	7.9%	15.9%	11.3%	10.1%	8.1%
ROAA	2.4%	7.7%	3.7%	8.0%	6.0%	5.6%	4.6%

Balance Sheet

(USD m)	17/18	18/19	19/20	20/21P	21/22P	22/23P	23/24P
ASSETS	2,210.5	2,463.6	3,164.7	3,475.7	3,521.5	3,597.5	3,668.1
Fixed assets	1,006.2	1,207.2	1,633.7	1,851.3	1,842.0	1,846.0	1,851.7
Intangible assets	104.5	114.9	68.1	90.3	91.9	95.9	101.1
Property, plant and equipment	588.1	764.7	1,331.7	1,527.1	1,516.1	1,516.2	1,516.6
Equity value	103.7	107.7	123.5	123.5	123.5	123.5	123.5
Noncurrent receivables	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Noncurrent investments	186.8	207.0	101.3	101.3	101.3	101.3	101.3
Noncurrent prepayments	23.2	12.8	9.2	9.2	9.2	9.2	9.2
Current assets	1,204.3	1,256.4	1,531.0	1,624.4	1,679.6	1,751.5	1,816.4
Inventory	368.5	357.6	303.4	371.1	402.5	414.1	420.0
Current receivables	205.7	313.0	364.2	537.0	473.6	492.1	503.0
Trade debtors	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current investments	94.0	81.4	109.4	109.4	109.4	109.4	109.4
Cash	132.0	76.8	369.1	185.2	294.9	332.1	375.1
Current prepayments	114.7	118.6	132.7	141.8	149.2	157.0	164.9
(USD m)	17/18	18/19	19/20	20/21P	21/22P	22/23P	23/24P
EQUITY & LIABILITIES	2,210.5	2,463.6	3,164.7	3,475.7	3,521.5	3,597.5	3,668.1
Equity	1,170.7	1,350.9	1,492.7	1,733.9	1,878.1	1,994.5	2,061.0
Share capital	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Supplementary capital	521.8	521.8	540.3	540.3	540.3	540.3	540.3
Retained earnings	1,318.9	1,490.0	1,584.3	1,825.5	1,969.7	2,086.2	2,152.6
Minority interest	6.9	-4.9	1.5	1.5	1.5	1.5	1.5
Non-current liabilities	601.1	668.5	1,258.0	1,258.0	1,258.0	1,258.0	1,258.0
Debt	497.6	559.7	1,231.3	1,231.3	1,231.3	1,231.3	1,231.3
Current liabilities	431.8	449.1	412.6	482.4	384.0	343.6	347.7
Trade payables	178.5	241.0	257.9	377.7	329.4	338.9	343.1
Debt	253.2	208.1	154.7	104.7	54.7	4.7	4.7
Provisions for liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt	750.9	767.8	1,386.0	1,336.0	1,286.0	1,236.0	1,236.0
Net debt	618.8	691.0	1,016.8	1,150.8	991.0	903.9	860.9
Net Debt / Equity	52.9%	51.2%	68.1%	66.4%	52.8%	45.3%	41.8%
Net Debt/ EBITDA	2.8	2.0	2.3	2.1	2.0	1.9	1.9
BVPS	14.2	16.3	17.8	20.6	22.3	23.7	24.5

Cash Flow

(USD m)	17/18	18/19	19/20	20/21P	21/22P	22/23P	23/24P
Cash flow from operating activities	82.5	320.2	269.4	309.5	418.8	374.4	348.4
Net profit	52.1	189.5	117.9	276.5	211.4	201.0	167.0
D&A expenses	83.0	76.3	105.7	107.6	119.6	121.4	123.4
Working capital	-63.1	-173.3	-70.6	-129.7	-23.8	-28.3	-20.6
Other	10.5	227.7	116.3	55.1	111.6	80.3	78.6
Cash flow from investing activities	-155.7	-241.4	-202.7	-322.0	-106.0	-120.0	-122.4
CAPEX	-179.0	-233.8	-172.6	-322.0	-106.0	-120.0	-122.4
Equity investments	23.3	-7.6	-30.1	0.0	0.0	0.0	0.0
Cash flow from financing activities	76.1	29.1	224.1	-169.5	-203.1	-217.3	-183.0
Debt	97.6	61.3	273.7	-50.0	-50.0	-50.0	0.0
Dividends/Buyback	-20.5	-20.5	-21.0	-35.3	-67.2	-84.6	-100.5
Interest expenses	0.0	0.0	0.0	-87.0	-88.3	-85.9	-86.0
Other	0.0	-11.1	-1.0	2.8	2.4	3.1	3.5
Change in cash	2.9	107.9	290.8	-182.0	109.7	37.1	43.0
Cash at eop	90.1	197.9	367.2	185.2	294.9	332.1	375.1
DPS (PLN)	0.25	0.25	0.25	0.42	0.80	1.01	1.20
FCF	-13.7	-73.4	177.7	75.6	347.0	316.8	289.8
CAPEX/Sales	-7.4%	-5.9%	-4.2%	-5.4%	-2.0%	-2.2%	-2.2%

Trading Multiples

	17/18	18/19	19/20	20/21P	21/22P	22/23P	23/24P
P/E	23.0	6.4	10.4	4.4	5.8	6.1	7.3
P/CE	8.9	4.5	5.5	3.2	3.7	3.8	4.2
P/B	1.0	0.9	0.8	0.7	0.7	0.6	0.6
P/(BV-goodwill)	1.1	1.0	0.9	0.8	0.7	0.7	0.6
P/S	0.5	0.3	0.3	0.2	0.2	0.2	0.2
FCF/EV	-0.8%	-3.9%	7.9%	3.2%	15.7%	14.9%	13.9%
EV/EBITDA	8.2	5.5	5.1	4.3	4.5	4.4	4.7
EV/EBIT	13.1	7.0	6.6	5.4	5.9	5.9	6.4
EV/S	0.8	0.5	0.5	0.4	0.4	0.4	0.4
OCF/EBITDA	37.1%	92.7%	60.8%	56.3%	84.7%	77.7%	78.0%
Dividend Yield	1.7%	1.7%	1.7%	2.9%	5.5%	6.9%	8.2%
Price (USD)	14.53	14.53	14.53	14.53	14.53	14.53	14.53
Shares at eop (millions)	82.7	82.9	84.0	84.0	84.0	84.0	84.0
MC (USD m)	1,201.3	1,204.6	1,221.3	1,221.3	1,221.3	1,221.3	1,221.3
Minority interest (USD m)	6.9	-4.9	1.5	1.5	1.5	1.5	1.5
EV (USD m)	1,827.0	1,890.7	2,239.6	2,373.5	2,213.8	2,126.6	2,083.6

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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HOLD – we expect that the rate of return from an investment will range from -5% to +5%
REDUCE – we expect that the rate of return from an investment will range from -5% to -15%
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mBank issued the following investment recommendations for Kernel in the 12 months prior to this publication

recommendation	buy	buy	buy	hold	hold
issued on	2020-12-08	2020-11-05	2020-09-23	2020-06-03	2020-02-05
target price (PLN)	57.39	53.66	56.35	44.58	47.25
price at date issued	46.75	39.00	39.90	43.80	47.20

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