

Wednesday, 1 September 2021 | special comments

## Comarch: 2021 Q2 Results

Recommendation: buy | target price: PLN 267.00 | current price: PLN 265.00

CMR PW; CMR.WA | IT, Poland

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**The 2021 Q2 results of Comarch came as a disappointment. Aside from unexpected one-time losses on other operating activity and FX transactions, more importantly, there was a negative surprise in the period's revenues, in particular sales of solutions to the Polish financial sector. After taking in the second-quarter disappointment, investors now will be looking forward to hearing Comarch's guidance for the rest of the year.**

- At PLN 337.4m, the 2021 Q2 revenue fell PLN 23.8m short of our estimate.
- The biggest negative surprise was found in sales to the Polish financial sector, where the segmental revenue missed the PLN 44.3m mark by close to PLN 20m.

- At 24.6%, the quarterly gross margin was lower than the year-ago figure of 25.7%, and it fell short of our 28.5% forecast
- SG&A expenses totaled PLN 58.0m in Q2 2021 vs. 63.9m expected by us.
- Comarch incurred an unexpected loss of PLN 6.2m on other operating activity in the period.
- On top of that, the quarterly EBIT was weighed down by losses on FX operations in an estimated amount of PLN 5.9m.
- On the other hand, financing activity generated a profit of PLN 17.9m in Q2, thanks mainly to hedging operations.
- Net profit for Q2 2021 came in at PLN 28.5m.

### 2021 Q2 results of Comarch

(PLN m)	2Q'21	2Q'20	y/y	2Q'21E	change	consensus	change
revenue	337.4	331.0	1.9%	361.2	-6.6%	353.6	-4.6%
EBITDA	43.3	51.5	-15.8%	60.4	-28.2%	52.9	-18.1%
margin	16.7%	16.7%	-	16.7%	-	16.7%	-
EBIT	18.6	26.9	-30.8%	39.1	-52.4%	31.5	-40.9%
pre-tax profit	36.6	36.0	1.6%	32.1	13.7%	-	-
net profit	28.5	20.3	40.1%	21.7	31.2%	28.0	1.8%

Source: Comarch, E - mBank estimates



#### List of abbreviations and ratios contained in the report:

**EV** (Enterprise Value) – Equity Value + Net Debt; **EBIT** – Earnings Before Interest and Taxes; **EBITDA** – EBIT + Depreciation & Amortisation; **Net Debt** – Borrowings + Debt Securities + Interest-Bearing Loans - Cash and Cash Equivalents; **P/E** (Price/Earnings) – Price Per Share Divided by Earnings Per Share; **P/CE** (Price to Cash Earnings) – Price Per Share Divided by Earnings + Depreciation & Amortisation; **P/B** (Price to Book Value) – Price Per Share Divided by Book Value Per Share; **P/CF** (Price to Cash Flow) – Price Divided by Cash Flow from Operations; **ROE** (Return on Equity) – Earnings Divided by Shareholders' Equity; **ROCE** (Return on Capital Employed) – EBIT x (Average Assets - Current Liabilities); **ROIC** (Return on Invested Capital) – EBIT x (1-Tax Rate) / (Average Equity + Minority Interest + Net Debt); **FCFF** (Free Cash Flow to Firm) – Cash Flow from Operations - CAPEX - Lease Payments; **FCFE** (Free Cash Flow to Equity) – Free Cash Flow to Firm - Net Interest Expense (incl. Debt + Leases) - Lease Payments

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**NEUTRAL (N)** – a rating which indicates that we expect the stock to perform in line with 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.

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