

AC

3Q20E Results Preview

Opinion: Neutral. The company has already published relatively strong preliminary revenues of PLN 51.7m. As we do not expect any negative surprises on the cost side and AC should book approx. PLN 1.2m co-financing received from the anti-crisis shield, according to our calculations EBITDA should prove to amount to PLN 13.7m (13% down y/y).

AC is set to publish its full 3Q20E results on 9 November 2020.

On 1 October 2020 AC published preliminary 3Q20 revenues which amounted to PLN 51.7m (6% down y/y), which we perceive as quite strong and achieved despite disruptions in global logistics, low gasoline prices, reduction of used car imports and weakening of business partners' local currencies against the EUR and USD.

Sequential gas injection systems. We expect 15% lower revenues y/y in the sequential gas injection system segment, amounting to PLN 37.5m. According to our calculations the decline in results caused by the pandemic is approx. twice lower than in 2Q20 given defrosting the economy. However due to high share of export sales thus certain logistical difficulties, especially in distant markets, should impact sales level and margin in the segment.

Kits for the towing hook segment will most likely prove to be a positive surprise again with PLN 7.7m revenues (52% higher y/y and 22% down q/q) driven mainly by an increase in revenues from the sale of electronics sets and wiring sets for tow bars.

SQ&A. We assume that the company will incur 10% higher SG&A costs q/q. We remind that the company has operated with the work schedule reduced by 20% in the May-July period with a proportionate reduction in employee remuneration.

EBITDA. We expect PLN 13.7m EBITDA in 3Q20 (down 13% y/y and 27% q/q).

Other operating income. We expect that AC will book co-financing received from the anti-crisis shield in the amount of PLN 1.2m in 3Q20.

Net profit. We expect AC's net income to arrive at PLN 8.2m (down 27% y/y and 26% q/q) in 2Q20.

Industrials

AC

HOLD

FV PLN 40.15

1% downside

Price as of 20 October 2020 PLN 40.5

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Figure 1. AC 3Q20 Results Preview

(PLN m)	1Q19	2Q19E	3Q19	4Q19	1Q20	2Q20	3Q20E	yoY	qoq
Revenues (prel.)	63.5	57.5	55.2	46.5	62.4	32.3	51.7	-6%	60%
Sequential gas injection systems	51.3	43.3	43.9	36.4	49.8	18.9	37.5	-15%	99%
Vacuum LPG systems	1.2	1.2	0.8	0.6	1.0	0.4	0.5	-39%	19%
Kits for towing hooks	4.5	7.6	5.1	4.8	6.8	9.9	7.7	52%	-22%
Other products and services	3.1	2.2	2.1	2.0	2.2	0.8	2.4	16%	204%
Trade goods and materials	3.4	3.2	3.3	2.6	2.7	1.3	3.6	8%	175%
Gross profit	23.7	20.4	20.0	16.5	22.5	12.3	15.5	-23%	26%
EBITDA	17.9	14.6	15.8	9.4	16.0	10.8	13.7	-13%	27%
EBIT	15.2	11.8	12.9	6.4	13.4	8.2	9.8	-24%	20%
Net profit	12.4	9.4	11.1	5.3	11.6	6.5	8.2	-27%	26%
EBITDA margin	28.3%	25.3%	28.6%	20.3%	25.6%	33.4%	26.4%	4.7pp	-6.9pp
EBIT margin	23.9%	20.5%	23.4%	13.7%	21.5%	25.3%	18.9%	1.9pp	-6.4pp
Net margin	19.5%	16.3%	20.2%	11.4%	18.5%	20.1%	15.8%	-0.1pp	-4.3pp

Source: Company, IPOPEMA Research

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The definitions of terms used in the document include:

NII – Net interest income – interest income minus interest expense.

Net F&C – Net fee and commission income – fee and commission income minus fee and commission expense.

LLP – loan loss provisions – an expense set aside as an allowance for bad loans.

NPL – non-performing loan – loans that are in default or close to be in default.

Cost/Income – operating expenses divided by total banking revenue.

ROE – return on equity – net income (or adjusted net income) divided by the average shareholders' equity.

ROA – return on assets – net income (or adjusted net income) divided by the average assets.

EBIT – earnings before interests and tax.

EBITDA – earnings before interests, tax, depreciation and amortization.

EPS – earnings per share – the net income (or adjusted net income) divided by the number of shares outstanding.

P/E – price to earnings ratio – price divided by earnings per share.

PEG – P/E ratio divided by the annual EPS growth, usually over a certain period of time.

CAGR – compound annual growth rate.

BVPS – book value per share, the book value of the Company's equity divided by the number of shares outstanding.

P/BV – price to book value – price divided by the BVPS.

DPS – dividend per share – dividend of a given year divided by the number of shares outstanding.

DY – dividend yield – dividend of a given year divided by the current price.

DDM – dividend discount model – a fundamental method of valuation based on the assumption that the value of stock equals the sum of all discounted future dividends.

FV – Fair Value, calculated based on valuation methods outlined in the document.

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Rating	Różnica pomiędzy FV i ceną z rekomendacji
Buy	powyżej 10%
Hold	pomiędzy (włączając) -10% and 10%
Sell	poniżej 10%

IPOPEMA Research - Distribution by rating category (Jul 1 – Sep 30, 2020)

	Number	%
Buy	19	70%
Hold	6	22%
Sell	2	8%
Total	27	100%

Rating History – AC

02/08/2019	BUY	PLN 53.0	PLN 46.6	Piotr Jusiński
24/04/2020	BUY	PLN 40.8	PLN 36.0	Piotr Jusiński
05/08/2020	HOLD	PLN 42.0	PLN 40.0	Piotr Jusiński