

## Sniezka

## 2Q21 Results Preview

Sniezka releases its 2Q21 results on September 15, 2021.

**Opinion. Negative.** Last year in 2Q20 Sniezka showed quite an extraordinary results which was caused by a significant abnormal demand from the clients. Due to pandemic and the risk of production destabilization clients shifted their usual supplies earlier. That caused sales to increase by 31% y/y and EBITDA by 65% y/y. We would not assume same situation this year and as a result we expect sales to decrease by 3.5% y/y to PLN 254m. At the same time we forecast that costs inflation will pressure margins causing gross margin to decrease to 41% compared to 43% in 2Q20. In our view, EBITDA would be further negatively affected by hiked sales cost (caused by ongoing marketing expenses and increase in advertisement services). Our forecast amounts to PLN 44.9m (down -15% y/y), while net profit is expected to arrive at PLN 29.9m.

**Poland.** We expect Poland to note the biggest decrease in absolute value in 2Q21 (PLN -10.3m; down 5.9% y/y) and account for 64% of sales. The key factor that will affect Sniezka sales in 2021 in Poland is probable lower propensity to conduct maintenance works.

**Hungary.** Weakness on the second biggest market will be in our view caused by hikes in interest rates that may negatively affect propensity to spend by Hungarian customers. We calculated PLN 47m sales from Hungary (down 9.6% y/y).

**SG&A.** Sales cost in our view will be on elevated levels as a result of Sniezka marketing strategy and increase in advertisement costs. We expect PLN 45.5m sales cost (down 1%).

**EBITDA.** Estimated EBITDA amounts to PLN 44.9m in 2Q21 (down 14.7% y/y). No major other operating income and costs expected.

**Net profit.** With 18.5% effective tax rate (flat q/q) and neutral impact from financing income/cost we are looking at net income to arrive at PLN 27.9m (down 17.1% y/y) in 2Q21.

Industrials

Sniezka

SELL

FV PLN 71.39

13 % downside

Price as of 13 September 2021 PLN 82.00

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Figure 1. Sniezka quarterly results

(PLN m)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q20E	y/y	q/q
Revenues	167.8	263.3	251.1	139.1	182.6	254.0	-4%	39%
Poland	106.0	172.8	159.2	86.4	126.6	162.6	-6%	28%
Hungary	33.0	52.0	49.6	27.4	31.0	47.0	-10%	52%
Ukraine	16.1	22.2	24.1	14.0	15.7	22.9	3%	45%
Belarus	6.8	6.2	6.5	3.1	4.2	7.6	23%	83%
Others	6.0	10.1	11.7	8.1	5.1	14.0	39%	173%
Gross profit	71.8	112.6	107.3	54.0	76.3	104.5	-7%	37%
<b>EBITDA</b>	<b>28.1</b>	<b>52.6</b>	<b>51.5</b>	<b>3.9</b>	<b>30.8</b>	<b>44.9</b>	-15%	46%
EBIT	20.1	44.1	43.0	-4.6	22.0	36.6	-17%	66%
Net profit (Parent's s/holders)	14.2	33.6	32.6	-2.5	16.3	27.9	-17%	71%
EBITDA margin	16.8%	20.0%	20.5%	2.8%	16.9%	17.7%	-2.3pp	0.8pp
EBIT margin	12.0%	16.7%	17.1%	-3.3%	12.1%	14.4%	-2.3pp	2.4pp
Net margin	8.5%	12.8%	13.0%	-1.8%	8.9%	11.0%	-1.8pp	2pp

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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10/07/2020	BUY	PLN 97.30	PLN 86.00	Piotr Jusiński