

## Sniezka

## 3Q21 Results Preview

Sniezka releases its 3Q21 results on November 17, 2021.

**Opinion. Negative.** *In line with Management guidance we are expecting highest revenues in 2021 to come in 3Q21, mostly caused by the return to seasonality unseen in previous year. However, the effect of shift in consumer spending (towards traveling and culture) should be present causing reduction of q/q sales growth (+6% q/q). We are expecting 3Q21 revenues to arrive at PLN 241.1m which is not only a 4% y/y decrease, but also lower than 3Q19 sales. In case of margins we estimate slight reduction of gross margin q/q at 39.6%. On the one hand higher revenues should lead to the positive effect of scale and implemented price hikes (though minor) should help margins, on the other materials' cost pressure should persist. We believe that company may create some savings in SG&A q/q what may lead to improved EBITDA and net margin q/q. Forecasted EBITDA of PLN 39.2m (down 24% y/y and up 20% q/q) would mean a total mark of PLN 102.7m for 9M21 vs. our estimate of PLN 114.7m. If Sniezka were to reach our forecast, we would have to see some positive guidance for the next quarter during 4Q21 conference, which is unlikely in our view.*

**Poland.** The effect of lower propensity to conduct maintenance works in Poland is expected to persist, but we also notice that we slightly underestimated sales from the country in our 2Q21 preview. Therefore, we assume that Poland will note the lowest decrease in sales y/y (together with Ukraine) at -3% and account for 64.1% of sales.

**Hungary & others.** Hungary and Belarus were the weakest markets in 2Q21 (in terms of y/y decrease) and we are expecting the same for 3Q with respective y/y decreases at -6% and -15% y/y.

**SG&A.** We believe that significant decline in SG&A to revenues ratio will help company to keep EBITDA and net margin at decent level. Forecasted sales cost for 3Q21 amount to PLN 45.8m (up 0.7% q/q despite 6.3% q/q increase in sales) and management cost at PLN 19.3m (down 14% q/q).

**EBITDA.** Estimated EBITDA amounts to PLN 39.2m in 3Q21 (down 24% y/y). No major other operating income and costs expected.

**Net profit.** With 18.5% effective tax rate and neutral impact from financing income/cost we are looking at net income to arrive at PLN 23.3m (down 29% y/y) in 3Q21.

Industrials

Sniezka

SELL

FV PLN 71.39

11 % downside

Price as of 15 November 2021 PLN 80.00

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Figure 1. Sniezka quarterly results

(PLN m)	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21E	y/y	q/q
Revenues	128.5	201.0	246.1	141.5	167.8	263.3	251.1	139.1	182.6	226.9	241.1	-4%	6%
Poland	99.2	156.4	187.4	102.9	106.0	172.8	159.2	86.4	126.6	151.5	154.5	-3%	2%
Hungary	16.5	24.2	34.3	22.6	33.0	52.0	49.6	27.4	31.0	41.8	46.7	-6%	12%
Ukraine	1.7	2.1	2.4	2.0	16.1	22.2	24.1	14.0	15.7	20.4	23.3	-3%	15%
Belarus	8.4	15.4	19.0	11.1	6.8	6.2	6.5	3.1	4.2	4.6	5.5	-15%	22%
Others	2.7	2.9	3.0	2.9	6.0	10.1	11.7	8.1	5.1	8.7	11.1	-5%	28%
Gross profit	54.6	88.0	104.1	57.3	71.8	112.6	107.3	54.0	76.3	90.9	95.5	-11%	5%
<b>EBITDA</b>	<b>22.6</b>	<b>31.8</b>	<b>51.4</b>	<b>1.0</b>	<b>28.1</b>	<b>52.6</b>	<b>51.5</b>	<b>3.9</b>	<b>30.8</b>	<b>32.7</b>	<b>39.2</b>	<b>-24%</b>	<b>20%</b>
EBIT	17.3	25.6	44.1	-8.0	20.1	44.1	43.0	-4.6	22.0	24.0	30.4	-29%	27%
Net profit (Parent's s/holders)	14.0	19.5	33.8	-7.8	14.2	33.6	32.6	-2.5	16.3	20.2	23.3	-29%	16%
EBITDA margin	17.6%	15.8%	20.9%	0.7%	16.8%	20.0%	20.5%	2.8%	16.9%	14.4%	16.2%	-4.3pp	1.8pp
EBIT margin	13.4%	12.7%	17.9%	-5.7%	12.0%	16.7%	17.1%	-3.3%	12.1%	10.6%	12.6%	-4.5pp	2pp
Net margin	10.9%	9.7%	13.7%	-5.5%	8.5%	12.8%	13.0%	-1.8%	8.9%	8.9%	9.7%	-3.3pp	0.8pp

Source: Company, IPOPEMA Research

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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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Buy	52	74%
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Sell	4	6%
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Date	Recommendation	Fair Value	Price at recommendation	Author
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08/12/2020	U/R	-	-	-
10/07/2020	BUY	PLN 97.30	PLN 86.00	Piotr Jusiński