

Bogdanka SA - Hold

Target Price: PLN 39.00 | Close as of 29/08/2019: PLN 36.50

Analyst:

Tomasz Duda,
+48 22 330 6253
tomasz.duda@erstegroup.com

Final 2Q'19 figures 6% above preliminary

LW Bogdanka released final 2Q'19 figures with following highlights:

- EBITDA of PLN 211.6mn i.e. 6% above preliminary
- Net income of PLN 87.9mn i.e. 13% above preliminary
- Coal price of PLN 235.8/t i.e. up 16.6% y/y vs. our estimate of PLN 237/t after preliminary figures
- Unit mining cash cost of PLN 148/t i.e. up 6.4% y/y vs. our estimate of PLN 154/t i.e. up 11% y/y after preliminary
- Solid operational cash flow of PLN 183.3mn in 2Q'19 and PLN 333.5mn in 1H'19
- Capex at PLN 91.7mn in 2Q'19 and PLN 240mn after 1H'19
- Volumes in line with preliminary release
- Solid coal yield of 65.6% in Q2 vs. 62.3% a year ago and vs. 64.7% in 1Q'19
- Inventories amounted to 144kt at the end of June offering more room for inventories reduction in upcoming quarters

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OPINION. POSITIVE

LW Bogdanka managed to post solid outperformance of preliminary figures mainly on the back of better than expected cost performance with unit mining cash cost being up 6.4% y/y (vs. 11% growth expected after preliminary figures). Strong cost performance allowed to boost earnings by c. PLN 14mn vs. preliminary, while slightly lower than expected coal price had negative impact on earnings by PLN 2.1mn vs. preliminary estimates, according to our calculations. The number of preparatory works was strongly down both q/q and y/y being at 6.4km i.e. down 41% y/y and down 18% q/q, which is likely one of the reasons for cost outperformance as the costs of materials were down 22% y/y. On the other hand costs of employment were up 10% y/y and costs of external services were up 3% y/y.

On top of solid P&L performance Lw Bogdanka showed solid cash flow performance with strong operating cash flow of PLN 183mn in Q2 translating into 87% of EBITDA. Capex arrived at PLN 91.7mn in Q2 and PLN 240mn in 1H'19 and the execution of 2019 capex guidance amounted to only 33.3% after 1H'19.

LW Bogdanka. Key figures, PLN mn

P&L (PLN m)	2Q18	3Q18	4Q18	1Q19	2Q19	YoY	QoQ
Revenues	457.3	479.7	421.0	540.8	557.5	22%	3%
Gross profit on sales	81.6	50.3	5.3	145.2	147.0	80%	1%
SG&A	-33.2	-35.8	-38.5	-34.4	-33.7	1%	-2%
Profit from sales	48.4	14.5	-33.2	110.8	113.3	134%	2%
Other income/ (expense), net	1.1	0.1	2.6	17.1	0.6		
EBITDA	151.1	120.8	69.7	222.9	211.6	40%	-5%
EXBITDA excl. one-offs	151.1	120.8	69.7	200.2	211.6	40%	6%
Operating profit	49.5	14.6	-30.6	128.0	113.8	130%	-11%
Financial income / (expense)	1.6	-1.4	2.6	3.8	-2.6		
Profit before tax	51.1	13.2	-27.9	131.8	111.3		
Income tax expense	-7.9	-3.6	5.7	-21.8	-23.3		
Net profit - recurring	43.0	9.7	-22.3	109.8	87.9	105%	-20%
Operational data	2Q18	3Q18	4Q18	1Q19	2Q19	YoY	QoQ
Coal production, k tonnes	2 424	2 302	2 187	2 532	2 293	-5%	-9%
Coal yield	62.3%	61.8%	61.1%	64.7%	65.6%		
Coal sales volume, kt	2 374	2 447	2 155	2 365	2 405	1%	2%
Inventories, thousand tonnes	202.0	57.0	89.0	256.0	144.0		
Coal price PLN/t (1)	188	191.2	189.3	222.5	226.9	20%	2%
Coal price PLN/t (2)	202.3	201.9	202.6	233.3	235.8	17%	1%
Unit cash cost PLN/t (2)	139.1	152.5	171.4	146.3	148.1	6%	1%
EBITDA per tonne (1)	63.7	49.4	32.4	94.2	88.0	38%	-7%
EBITDA per tonne (2)	63.7	49.4	32.4	84.7	88.0	38%	4%
OCF	174	144.3	98.6	150.3	183.3		
Capex	114	97.7	113.4	148.0	91.7		
Free cash flow	60	46.6	-14.8	2.2	91.6		
Net debt (cash)	-122	-171	-124	-134	-227		
BVPS	86.8	87.1	86.4	89.7	91.5		

Source: Company, Erste Group Research

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Contacts

Group Research

Head of Group Research Friedrich Mostböck, CEFA	+43 (0)5 0100 11902
CEE Macro/Fixed Income Research Head: Juraj Kotian (Macro/FI) Zoltan Arokszállasi, CFA (Fixed income) Katarzyna Rzentarzewska (Fixed income, Poland) Malgorzata Krzywicka (Fixed income)	+43 (0)5 0100 17357 +43 (0)5 0100 18781 +43 (0)5 0100 17356 +43 (0)5 0100 17338
Croatia/Serbia Alen Kovac (Head) Mate Jelić Ivana Rogic	+385 72 37 1383 +385 72 37 1443 +385 72 37 2419
Czech Republic David Navratil (Head) Jiri Polansky Michal Skorepa	+420 956 765 439 +420 956 765 192 +420 956 765 172
Hungary Orsolya Nyeste Zsombor Varga	+361 268 4428 +361 373 2830
Romania Horia Braun-Erdei (Head) Eugen Sinca Dorina Ilasco	+40 3735 10424 +40 3735 10435 +40 3735 10436
Slovakia Maria Valachyova (Head) Katarina Muchova	+421 2 4862 4185 +421 2 4862 4762
Major Markets & Credit Research Head: Gudrun Egger, CEFA Ralf Burchert, CEFA (Agencies) Hans Engel (Global Equities) Margarita Grushanina (Austria, Quant Analyst) Peter Kaufmann, CFA (Corporate Bonds) Heiko Langer (Covered Bonds/Financials) Stephan Lingnau (Global Equities) Carmen Riefler-Kowarsch (Covered Bonds/Financials) Rainer Singer (Euro, US) Bernadett Povaszai-Römhild, CEFA (Corporate Bonds) Elena Statelov, CIIA (Corporate Bonds) Gerald Walek, CFA (Euro, CHF)	+43 (0)5 0100 11909 +43 (0)5 0100 16314 +43 (0)5 0100 19835 +43 (0)5 0100 11957 +43 (0)5 0100 11183 +43 (0)5 0100 85509 +43 (0)5 0100 16574 +43 (0)5 0100 19632 +43 (0)5 0100 17331 +43 (0)5 0100 17203 +43 (0)5 0100 19641 +43 (0)5 0100 16360
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Croatia/Serbia Mladen Dodig (Head) Anto Augustinovic Magdalena Dolenc Davor Spoljar, CFA	+381 11 22 09178 +385 72 37 2833 +385 72 37 1407 +385 72 37 2825
Czech Republic Petr Bartek (Head) Marek Dongres Jan Safranek	+420 956 765 227 +420 956 765 218 +420 956 765 218
Hungary József Miró (Head) András Nagy Tamás Pletser, CFA	+361 235 5131 +361 235 5132 +361 235 5135
Poland Tomasz Duda (Head) Cezary Bernatek Konrad Grygo Mateusz Krupa, CFA Michal Pilch Emil Poplawski	+48 22 330 6253 +48 22 538 6256 +48 22 330 6254 +48 22 330 6251 +48 22 330 6255 +48 22 330 6252
Romania Caius Rapanu	+40 3735 10441
Turkey Gizem Akkan Berke Gümüs	+90 2129120445 +90 2129120445

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Group Institutional Equity Sales Head: Brigitte Zeittberger-Schmid	+43 (0)5 0100 83123
Cash Equity Sales Werner Fuerst Josef Kerekes Cormac Lyden	+43 (0)5 0100 83121 +43 (0)5 0100 83125 +43 (0)5 0100 83120
Institutional Equity Sales Croatia Damir Eror (Equity)	+385 72 37 28 36
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Institutional Equity Sales Poland Jacek Jakub Langer (Head) Wojciech Wysocki (Equity) Przemyslaw Nowosad (Equity) Grzegorz Stepien (Equity)	+4822 330 6265 +4822 538 6219 +4822 538 6266 +4822 330 6211
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