

# Bogdanka SA - Hold

Target Price: PLN 39.00 | Close as of 14/10/2019: PLN 35.00

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## Preliminary 3Q'19 figures with EBITDA down 16% q/q due to rising costs

LW Bogdanka released preliminary 3Q'19 figures:

- EBITDA of PLN 176.9mn i.e. up 46% y/y vs. PLN 120.8mn a year ago
- EBITDA per tonne of PLN 77.2 vs. PLN 49 a year, but down from PLN 88 in 2Q'19 and down from PLN 94 in 1Q'19
- EBIT margin down to 14.8% from 20.4% in 2Q'19
- Coal production of 2.3mn tonnes i.e. flat both y/y and q/q
- Coal sales volume of 2.29mn tonnes i.e. down 6% y/y and down 5% q/q
- Implied coal price of PLN 235.6/t i.e. flat q/q and up 16% y/y - no surprises here
- Implied unit cash cost of PLN 160/t i.e. up 4.9% y/y and 8% above the level seen in 1H'19

## OPINION. NEUTRAL

While preliminary 3Q'19 figures show strong double digit y/y earnings growth, this was largely expected as Company benefits from high coal prices that were signed for the whole 2019 year. However at the same time LW Bogdanka showed 16% decline of EBITDA q/q and 3Q'19 figures are the weakest quarter in 2019.

Lower coal sales volumes, but also rising unit mining cash cost contributed to the q/q decline. As LW Bogdanka guided for rising volume of preparatory works in 2H'19 this is likely one of key reasons for the expected increase in costs. The result is the lowest EBITDA per tonne and the lowest EBIT margin throughout 2019.

## LW Bogdanka, Key figures, PLN mn

P&L (PLN m)	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	YoY	QoQ
Revenues	457.3	479.7	421.0	540.8	557.5	527.8	10%	-5%
EBITDA	151.1	120.8	69.7	222.9	211.6	176.9	46%	-16%
EXBITDA excl. one-offs	151.1	120.8	69.7	200.2	211.6	176.9	46%	-16%
Operating profit	49.5	14.6	-30.6	128.0	113.8	77.9	434%	-32%
Net profit - recurring	43.0	9.7	-22.3	109.8	87.9	66.2	580%	-25%
Operational data	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	YoY	QoQ
Coal production, k tonnes	2 424	2 302	2 187	2 532	2 293	2 302	0%	0%
Coal yield	62.3%	61.8%	61.1%	64.7%	65.6%	0.0%		
Coal sales volume, kt	2 374	2 447	2 155	2 365	2 405	2 291	-6%	-5%
Inventories, thousand tonnes	202.0	57.0	89.0	256.0	144.0	155.0		

Source: Company, Erste Group Research

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