

Bogdanka SA - Sell

Target Price: PLN 18.80 | Close as of 16/04/2020: PLN 18.90

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Preliminary 1Q'20 figures with solid pricing and cost control. Volumes risks intensify.

LW Bogdanka presented preliminary 1Q'20 figures with following highlights:

- EBITDA of PLN 134.8mn i.e. down 40% y/y on reported basis and down 33% y/y on recurring basis
- EBITDA per tonne down to PLN 70 from 2019 average of PLN 80.2
- Net income down 69% y/y on recurring basis
- Coal production down to 2.07mn tonnes i.e. by 18% y/y
- Coal sales volumes down to 1.92mn tonnes i.e. down by 19% y/y
- **Inventories** build to 326 thousand tonnes i.e. up 27% y/y - the highest level since 1Q'16
- **Coal price** up 3.5% y/y to PLN 241.5/t - according to our estimates
- **Unit cash cost** up by 19% y/y to PLN 174/t - which is a result of lower volumes, while in nominal terms cash costs are estimated by us to be up 1% y/y

OPINION. NEUTRAL

Preliminary Q1 figures of LW Bogdanka remain solid with cost control in place and with solid pricing maintained, while weak volumes should have been expected given the announced curtailment of works in February.

Still the remaining quarters of 2020 are likely to be more challenging given record high inventories seen currently in Poland, low demand related to pandemic lockdown as well as very low international coal prices. Such a challenging environment might result in declining coal prices in Poland or in significant deterioration of sales volumes and further build up of inventories - any of these means negative outlook for Polish coal companies.

LW. Bogdanka, Key figures, PLN mn

P&L (PLN m)	1Q19	2Q19	3Q19	4Q19	1Q20	YoY	QoQ
Revenues	540.8	557.5	527.8	531.7	464.1	-14%	-13%
EBITDA	222.9	211.6	176.9	156.2	134.8	-40%	-14%
EXBITDA excl. one-offs	200.2	211.6	176.9	156.2	134.8	-33%	-14%
Operating profit	128.0	113.8	77.9	55.5	44.9	-65%	-19%
Net profit - recurring	109.8	87.9	66.0	44.8	33.7	-69%	-25%
Operational data	1Q19	2Q19	3Q19	4Q19	1Q20	YoY	QoQ
Coal production, k tonnes	2 532	2 293	2 302	2 323	2 066	-18%	-11%
Coal sales volume, kt	2 365	2 405	2 291	2 298	1 918	-19%	-17%
Inventories, thousand tonnes	256.0	144.0	153.0	178.0	326.0	27%	

Source: Company, Erste Group Research

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