

Bogdanka SA - Sell

Target Price: PLN 18.80 | Close as of 03/09/2020: PLN 19.12

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Final 2Q20 figures in line with preliminary (NEUTRAL)

Bogdanka posted 2Q20 figures with following highlights

- Revenues amounted to PLN 385mn (-31% y/y, in line with preliminary)
- **EBITDA came in at PLN 86mn (-59% y/y, in line with preliminary)**
- EBITDA/t amounted to PLN 54mn (-39%, in line with preliminary)
- Net income amounted to PLN 3mn (-96% y/y, in line with preliminary)
- Coal production 1.6mt (in line with preliminary), Coal yield 68% (vs. 66% a year ago, vs. 66% in 1Q20)
- Coal sale 1.6mt (-33% y/y, in line with preliminary)
- Coal price amounted to PLN 234/t (+3% y/y).
- **Net income came in at PLN 3mn (-96% y/y, in line with preliminary)**
- Operating cash flow amounted to PLN 143mn (vs. PLN 183mn a year ago)
- CAPEX PLN 135mn (vs. PLN -92mn a year ago)
- FCF amounted to PLN 8mn (vs. PLN 92mn a year ago)
- Net cash came in at PLN 233mn (vs. net cash PLN 70mn in 1Q20, vs. net cash PLN 247mn a year ago)

OPINION: **NEUTRAL**

Result are in line with preliminary figures, hence we expect Neutral market reaction.

Lower EBITDA result is linked primarily to weaker generation from coal units in polish power system. As a result coal sale of Bogdanka amounted to 1.6mt (-29% y/y). While lower production led to increase of unit cost to PLN 186/t (+29% y/y). In coming quarters we do not expect that this situation to improve.

On the other hand we are surprised that company in such a poor environment were able to generate positive FCF of PLN 8mn. As a result company still has a good cash position of PLN 233mn, what is especially important in current circumstances.

Bogdanka 2Q20 final figures

P&L (PLNmnn)	2Q19	3Q19	4Q19	1Q20	2Q20	y/y	q/q	prelim	vs. prelim
Revenue	558	528	532	464	385	-31%	-17%	385	0%
Coal sale	546	518	519	451	376	-31%	-17%		
Gross profit	147	123	96	82	43	-71%	-48%		
EBITDA adj.	212	177	156	135	86	-59%	-36%	86	0%
EBITDA	212	177	156	135	86	-59%	-36%	86	0%
EBIT	114	78	56	45	5	-96%	-89%	5	0%
Net financial expenses	-3	2	1	-1	-2	-39%	17%		
Profit before tax	111	79	56	44	3	-97%	-92%		
Tax	-23	-13	-11	-10	0	-98%	-95%		
Net profit	88	66	45	34	3	-97%	-91%	3	-3%
Operational data									
Gross output	3.5	3.6	3.7	3.1	2.4	-32%	-24%		
Coal production	2.3	2.3	2.4	2.1	1.6	-29%	-21%	1.6	0%
Coal Yield	66%	63%	63%	66%	68%	0%	0%		
Coal sale	2.4	2.3	2.3	1.9	1.6	-33%	-16%	1.6	0%
Inventory	0.14	0.15	0.18	0.33	0.4	146%	8%		
Coal Price (1)	227	226	226	235	234	3%	0%		
Coal Price (2)	236	234	233	242	242	2%	0%		
Unit production cost	-144	-153	-163	-172	-186	29%	8%		
EBITDA / t (1)	88	77	68	70	54	-39%	-23%	54	
OCF	183	181	207	77	143	-22%	85%		
CAPEX	-92	-123	-114	-201	-135	47%	-33%		
FCF	92	57	93	-124	8	-91%	-106%		
Net debt (cash)	-247	-283	-350	-227	-233	-6%	3%		

Source: Company, Erste Research Group

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