

## Bogdanka SA - Sell

Target Price: PLN 18.80 | Close as of 20/01/2021: PLN 22.85

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### Preliminary Q4 earnings boosted by one-off, but 2021 outlook improves

LW Bogdanka reported preliminary Q4 figures with following highlights:

- Revenues of PLN 468.6mn i.e. down 12% y/y
- EBITDA of PLN 144mn i.e. down 8% y/y
- One-off of PLN 33.7mn boosted earnings in Q4 related to received donations to workers salaries from anti-crisis measures
- EBITDA per tonne of PLN 73.2 or PLN 56.1 excl. one-off
- Implied price of coal of PLN 239/t i.e. up 2.5% y/y – our estimate
- Implied unit mining cash cost of PLN 187/t i.e. up 14.4% y/y
- Coal production of 2.07mn tonnes i.e. down 10.7% y/y
- Coal sales volume of 1.97mn tonnes i.e. down 14.3% y/y

### OPINION: **NEUTRAL**

*Q4 figures continue to be weak if the one-off of PLN 33.7mn is excluded as it would mean that recurring Q4 net profit would amount to c. PLN 4.5mn – according to our estimates – implying ongoing bottom line weakness related to depressed volumes. However, we also note positive side of presented figures like:*

- 2020 production of 7.6mn tonnes exceeded the guidance of 7.4mn tonnes
- Coal price was up 2.5% y/y implying an improvement vs. weak Q3 pricing (then price was down 0.1% y/y)
- Unit cash cost implies nominal cash cost to be down 2% y/y (vs. 15.9% y/y growth seen in Q3)

*Given situation of Polish coal market the continuation of weak earnings was likely expected by investors. Still the above mentioned positive factors make LW Bogdanka stand out in such a challenging market environment and such strong performance might be appreciated.*

*Moreover the outlook for Polish coal market has improved recently due to rising demand for power coupled with high gas prices resulting in CSS being lower than CDS of new coal units, which should translate into higher load factors of coal units raising demand for coal – hence the outlook for upcoming quarters should improve vs. very weak 2020.*

**LW Bogdanka, Key figures, PLN mn**

P&L (PLN m)	4Q19	1Q20	2Q20	3Q20	4Q20	YoY	QoQ
<b>Revenues</b>	531.7	464.1	384.9	504.5	468.6	-12%	-7%
<b>EBITDA</b>	156.2	134.8	86.3	96.5	144.3	-8%	49%
<b>EXBITDA excl. one-offs</b>	156.2	134.8	86.3	96.5	144.3	-8%	49%
<b>Operating profit</b>	55.5	44.9	5.0	0.8	40.3	-27%	4744%
<b>Net profit - recurring</b>	44.8	33.5	3.1	-1.8	31.7	-29%	na
Operational data	4Q19	1Q20	2Q20	3Q20	4Q20	YoY	QoQ
Coal production, k tonnes	2 323	2 066	1 631	1 841	2 074	-11%	13%
Coal sales volume, kt	2 298	1 918	1 604	2 178	1 970	-14%	-10%
Inventories, thousand tonnes	178.0	326.0	353.0	16.0	120.0	-33%	650%

Source: Company, Erste Group Research

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