

Newag

from Buy to Accumulate

PLN mn	2019e	2020e	2021e	2022e		52 weeks			
Net sales	906.5	1 249.5	1 259.3	1 219.0	26				
EBITDA	170.1	219.9	226.2	218.9	24 - 22 -		M	Mr	mr.
EBIT	136.1	185.7	189.9	182.6	22 - 20 -	~	~ ·	· · · · · · · · · · · · · · · · · · ·	
Net result after min.	88.7	123.7	163.8	126.6	18 - mm	www		4	
EPS (PLN)	1.97	2.75	3.64	2.81	16 -	~~~~~		\neg	
CEPS (PLN)	2.73	3.51	4.45	3.62	14 -			4	man
BVPS (PLN)	12.23	14.31	16.62	18.32	12 -			hand	
Div./share (PLN)	0.75	0.67	1.33	1.11		lewag			
EV/EBITDA (x)	8.7	7.4	6.9	6.7	——- V	VIG			
P/E (x)	12.2	8.7	6.6	8.5		4014			414
P/CE (x)	8.8	6.8	5.4	6.6	Performance	12M	6M	3M	1M
Dividend Yield	3.1%	2.8%	5.6%	4.6%	in PLN	47.2%	20.0%	2.1%	1.7%
Share price (PLN) clos	se as of 27/0	5/2020		24.0	Reuters NWGP.WA	Free float			47.8%
Number of shares (mn	ı)			45.0	Bloomberg NWG PW	Shareholders	onariu	szy Newag	(52.2%)
Market capitalization (I	PLN mn / EL	JR mn)	1	,080 / ,244	Div. Ex-date 19/08/19			NN OFE	(8.83%)
Enterprise value (PLN	mn / EUR m	nn)	1	,476 / ,337	Target price 29.4	Homepage:		https://www.	newag.pl/

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Still going strong (but slightly less so in 2022-24)

Our positive view on the stock persists, even though the COVID-19 pandemic may leave some mark on the company in the long run. Newag managed to sign its first contract on hybrid units and even more importantly, no other entity was willing to compete in this kind of tender in Poland. The company also proved successful in contract acquisition, having almost fulfilled our 2021 forecast in less than six months.

2020 should still be a record year for Newag. Despite the fact that the company has managed to deal with the COVID-19 pandemic quite successfully (especially when compared to its industrial peers), some negative developments emerged. For example, the weakness of the PLN relative to the EUR may cause some upward pressure on component costs. Also, the tough schedule leads us to assume that the approx. PLN 100mn backlog will be shifted to 2021. Either way, the results should show a significant, positive, double-digit dynamic relative to 2019.

While we are quite confident when it comes to our forecasts in 2020-21, some negative developments may appear in 2022-24. This leads us to decrease our assumptions for 2022-24. We reduce sales in 2022-24 to a total of PLN 3.66bn vs. the PLN 3.9bn expected previously. What is more, we slightly decrease our average gross margin forecast for 2020-24, from over 23% to 22.8%.

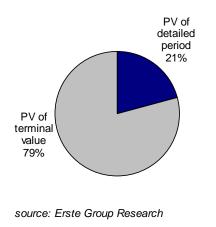
For these reasons, we have decided to downgrade our recommendation from Buy to Accumulate with a target price of PLN 29.4.

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WACC calculation

WACC calculation						Term. value
	2020e	2021e	2022e	2023e	2024e	Normalized
Risk free rate	2.1%	2.1%	2.1%	2.1%	2.1%	4.0%
Equity risk premium	6.0%	6.0%	6.0%	6.0%	6.0%	5.0%
Beta	1.0	1.0	1.0	1.0	1.0	1.0
Cost of equity	8.1%	8.1%	8.1%	8.1%	8.1%	9.0%
Cost of debt	3.1%	3.1%	3.1%	3.1%	3.1%	5.0%
Effective tax rate	23.0%	23.0%	23.0%	23.0%	23.0%	21.0%
After-tax cost of debt	2.4%	2.4%	2.4%	2.4%	2.4%	4.0%
Equity weight	63%	66%	69%	71%	77%	100%
WACC	6.0%	6.1%	6.3%	6.4%	6.8%	9.0%
DCF valuation						
(PLN mn)	2020e	2021e	2022e	2023e	2024e	Normalized
Sales growth	37.8%	0.8%	-3.2%	4.4%	-8.4%	1.0%
EBIT	185.7	189.9	182.6	192.4	129.8	176.6
EBIT margin	14.9%	15.1%	15.0%	15.1%	11.1%	15.0%
Tax rate	23.0%	2.1%	23.0%	23.0%	23.0%	21.0%
Taxes on EBIT	-42.7	-4.0	-42.0	-44.2	-29.8	-37.1
NOPLAT	143.0	185.9	140.6	148.1	99.9	139.5
+ Depreciation	34.3	36.3	36.3	36.3	36.3	37.4
Capital expenditures / Depreciation	181.6%	166.7%	100.0%	100.0%	100.0%	105.0%
+/- Change in working capital	-221.6	-6.9	26.0	-34.8	58.4	-7.0
Chg. working capital / chg. Sales	-64.6%	-70.8%	-64.4%	-64.4%	-54.6%	-60.0%
- Capital expenditures	-62.3	-60.5	-36.3	-36.3	-36.3	-39.3
Free cash flow to the firm	-106.6	154.8	166.6	113.4	158.4	130.7
Terminal value growth						1.0%
Terminal value						1 780.5
Discounted free cash flow - Dec 31 2019	-100.5	137.6	139.2	89.0	116.5	1 201.4
Enterprise value - Dec 31 2019	1 583.1					
Minorities	0.0					
Non-operating assets	0.0					
Net debt	395.9					
Other adjustments	0.0					
Equity value - Dec 31 2019	1 187.2					
Number of shares outstanding (mn)	45.0					
Cost of equity	8.1%					
12M target price per share (PLN)	29.4					
Share price (PLN) May 27	24.0					
Up/Downside	22.7%					

Enterprise value breakdown



Sensitivity (per share)

			Termina	al value EBIT r	nargin	
	_	14.0%	14.5%	15.0%	15.5%	16.0%
	8.0%	31.3	32.5	33.7	34.9	36.1
WACC	8.5%	29.2	30.3	31.4	32.6	33.7
Ă	9.0%	27.3	28.4	29.4	30.5	31.6
3	9.5%	25.7	26.7	27.7	28.7	29.7
	1 0.0%	24.2	25.2	26.1	27.1	28.0
			Term	inal value gro	wth	
	_	0.0%	0.5%	1.0%	1.5%	2.0%
	8.0%	35.2	34.4	33.7	33.0	32.2
N N	8.5%	32.8	32.1	31.4	30.7	30.1
WACC	9.0%	30.7	30.1	29.4	28.8	28.2
3	9.5%	28.9	28.3	27.7	27.1	26.5
	10.0%	27.3	26.7	26.1	25.6	25.0

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Peer valuation

The peer valuation with regard to Polish industrials reveals that the company is, dependent on ratio, under- or overpriced for 2020E.

Polish industrials peer group comparison

	P/E		E	EV/EBITDA			P/BV		
	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e
Forte	12.9	9.7	n.a.	16.2	8.3	7.1	0.7	0.7	n.a.
Apator	10.5	10.3	9.3	6.4	6.2	6.3	1.4	1.5	n.a.
Kęty	11.4	12.2	12.4	7.7	8.0	7.5	2.1	2.1	n.a.
Stalprodukt	n.a.	n.a.	n.a.	2.9	2.6	2.1	0.8	0.8	0.7
Alumetal	19.8	13.1	n.a.	7.7	6.5	5.2	3.3	2.8	2.2
Wielton	n.a.	n.a.	n.a.	7.9	6.0	5.2	4.1	3.5	3.0
Amica	12.0	8.9	n.a.	5.8	5.1	4.5	0.8	0.7	n.a.
Median total	12.0	10.3	10.9	7.7	6.2	5.2	1.4	1.5	2.2
Newag	8.66	6.54	8.46	7.37	6.87	6.62	1.66	1.43	1.30
Premium/discount	-28%	-37%	-22%	-4%	11%	27%	21%	-5%	-42%
Implied value [PLN per share]	32.9	37.6	30.5	25.2	20.4	16.9	19.7	25.1	40.9

Source: Factset, Erste Group Research

We also show the company's comparison with global rolling stock producers.

Global peer group comparison

	P/E			E	V/EBITDA		P/BV		
	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e
Alstom	18.7	15.3	13.7	10.4	8.5	7.3	2.4	2.1	2.0
CRRC	9.3	8.3	7.5	7.4	6.8	6.3	0.8	0.7	0.7
Bomberdier Transportation	n.a.	n.a.	n.a.	16.7	10.6	9.1	n.a.	n.a.	n.a.
Stadler Rail	29.4	20.3	17.1	14.2	11.4	10.0	4.6	4.1	3.7
Hyundai Rotem	87.3	86.5	37.8	22.8	19.4	16.6	1.7	1.6	1.6
CAF	12.5	9.1	7.5	6.1	5.3	4.8	1.2	1.1	1.0
Talgo	13.9	8.7	9.2	8.0	5.1	5.6	1.6	1.4	1.2
Median total	16.3	12.2	11.5	10.4	8.5	7.3	1.6	1.5	1.4
Newag	8.66	6.54	8.46	7.37	6.87	6.62	1.66	1.43	1.30
Premium/discount	-47%	-46%	-26%	-29%	-19%	-9%	2%	-5%	-8%
Implied value [PLN per share]	44.9	44.4	32.3	30.7	29.3	25.9	20.0	21.6	23.5

Source: Factset, Erste Group Research

The data reveals that Newag is still underpriced compared to global peers and we argue that this is to a large extent driven by its solely local scope of operations and underperformance in cash flow generation.

Erste Group Research – Company Report Newag | Industrial Goods & Services | Poland 28 May 2020

Itel. Selection 311/22001 311/22000 311/22020 311/22010 311/22010 311/22010	Income Statement	2017	2018	2019e	2020e	2021e	2022e
Net sales 789.87 1 021.56 9905.52 1 243.53 1 233.21 1 218.93 Gross profit 685.63 816.82 693.15 952.71 962.43 392.87 Gross profit 104.23 204.63 207.37 298.82 298.82 298.81 298.82 298.81 208.81 208.81 208.81 208.81 208.81 208.82 208.82 208.82 208.82 208.82 208.82 208.82 208.82 208.82 208.82 218.83 20.83 208.82 218.83 36.32 36.32 218.83 36.32 36.32 218.83 36.32 36.32 218.83 36.32 36.32 218.83 36.32 218.83 36.33 36.33 36.33 36.33 36.33 37.82 38.83 32.85 36.44 33.35 36.44 33.35 36.43 37.82 16.43 37.82 16.42 20.40 20.00 20.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00	(IAS, PLN mn, 31/12)	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022
Gross profit 104.23 204.63 207.37 296.82 296.89 286.13 Other operating revenues 18.83 22.91 17.71 0.00 0.00 0.00 Other operating revenues 18.83 22.91 17.71 0.00 0.00 0.00 Depreciation/amontization 33.89 36.44 33.89 34.28 36.32 36.33 36.34 30.94	Net sales	789.87	1 021.56	906.52	1 249.53	1 259.32	1 218.99
SGAA 06.18 74.38 77.02 106.16 106.99 103.57 Other operating expenses 3.37 25.21 11.39 5.00 0.00 0.00 Depreciation/amorization 33.89 36.44 33.89 34.28 218.34 Depreciation/amorization 33.89 36.44 33.89 34.28 36.32 36.32 EBIT 45.51 127.95 136.06 185.66 189.90 182.56 Financial result 10.07 1.21.2 -20.51 -25.63 167.32 164.44 Incorne taxes 5.16 22.43 26.84 36.95 3.44 37.82 Result from discontinued operations 0.00	Cost of goods sold	685.63	816.92	699.15	952.71	962.43	932.87
Other operating revenues 18.83 22.91 17.71 0.00 0.00 Cher operating revenues 3.37 25.21 113.98 5.00 0.00 0.00 EBIT A 79.41 164.39 170.06 219.94 282.52 281.89 Depreciation/amonization 33.89 36.44 33.98 44.28 38.22 36.32 EBIT 45.51 127.95 136.08 185.56 189.90 182.56 Financial result -10.70 -12.12 -20.51 -22.53 -22.54 18.23 Exit form discontinued operations 0.00 1.	Gross profit	104.23	204.63	207.37	296.82	296.89	286.13
Other operating expenses 9.37 25.21 11.98 5.00 0.00 0.00 Depreciation/amoritzation 33.89 36.44 33.98 34.42 36.52 218.89 Depreciation/amoritzation 33.89 36.44 33.98 34.42 36.52 36.52 EBIT 45.61 127.95 136.06 185.66 189.90 182.56 Extraordinary result 0.00 0.00 0.00 0.00 0.00 0.00 EBT 34.82 115.83 115.57 160.83 147.32 164.44 Income taxes 5.16 22.43 28.84 30.85 3.48 37.82 Result from discontinue oparations 0.00	SG&A	68.18	74.38	77.02	106.16	106.99	103.57
EBITO 79.41 1164.39 170.06 219.42 228.23 218.89 Deprecision/moritzation 33.89 36.44 33.98 34.48 35.86 188.90 182.56 EBIT 45.51 1127.95 138.08 185.66 189.90 128.25 EBIT 34.82 115.83 115.57 160.63 167.32 164.44 Income taxes 5.16 22.43 28.84 38.95 3.48 37.82 Balance Sheet 2017 2018 2019e 2020e 2021e 2022e Inangible assets 36.16 30.94 30.94 30.94 30.94 469.11 469.11 Inangible assets 36.16 30.94 20.94 49.34 469.11 469.11 Inangible assets 36.16 30.94 30.94 30.94 30.94 30.94 30.94 30.94 30.94 30.94 30.94 30.94 30.94 30.94 30.94 30.94 30.94 30.94 30.94	Other operating revenues	18.83	22.91	17.71	0.00	0.00	0.00
Deprediction/amortization 33.89 36.44 33.98 34.28 36.32 36.32 36.32 36.32 36.32 36.32 36.32 36.32 36.32 36.32 36.32 36.32 36.32 36.32 36.32 36.32 36.32 36.32 36.34 37.82 115.33 115.57 160.63 167.32 164.43 36.85 3.48 37.82 Result from discontinued operations 0.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.	Other operating expenses	9.37	25.21	11.98	5.00	0.00	0.00
Epir 45.51 127.95 138.08 188.66 188.90 182.56 Entrancial result 0.00 126.22 2021e 2022e 2022e 2021e 2022e 20312 1331 366.33 416.92 44.89.11 465.11 146.51 1353.63 566.55 567.65 567.65 567.65 567.65 567.75 70.00 90.00 <td>EBITDA</td> <td>79.41</td> <td>164.39</td> <td>170.06</td> <td>219.94</td> <td></td> <td></td>	EBITDA	79.41	164.39	170.06	219.94		
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EBT 34.82 115.83 115.57 160.63 167.32 164.44 Income taxes 5.16 22.43 28.64 36.95 3.48 37.82 Result from discontinued operations 0.00 0.00 0.00 0.00 0.00 0.00 Minorities and cost of hybrid capital 0.08 0.05 0.00 0.00 0.00 0.00 Net result after minorities 29.74 93.35 88.72 123.69 163.83 126.62 Balance Sheet 2017 2018 2019e 2020e 2021e 2022e Intargible assets 36.16 30.94 30.94 30.94 30.94 30.94 Total fixed assets 31.13 366.85 478.2 87.82 87.82 87.82 87.82 87.82 87.82 87.82 87.86 563.85 567.86 563.85 567.85 100.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00							
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Interest-bearing LT debts 79.97 185.98 291.03 415.62 367.80 282.97 Other LT liabilities 0.00 0.017 0.015.51	Minorities	-					
Other LT liabilities 0.00 0.00 0.00 0.00 0.00 0.00 Total long-term liabilities 117.65 220.12 325.73 451.16 400.14 316.77 Interest-bearing ST debts 204.01 203.32 174.88 224.88 238.43 538.425 538.43 538.425 538.43 538.425 538.43 538.43	Minorities Hybrid capital and other reserves	0.00	0.00	0.00	0.00	0.00	0.00
Total long-term liabilities117.65220.12325.73451.16400.14316.77Interest-bearing ST debts204.01203.32174.88224.88224.88224.88Other ST liabilities276.51291.98274.20313.54313.37309.59Total short-term liabilities480.52495.30449.08538.43538.25534.48TOTAL LIAB., EQUITY1 001.771 210.851 325.221 633.671 686.311 675.79Cash Flow Statement201720182019e2020e2021e2022e(AS,PLN mn, 31/12)Cash flow from operating activities-33.58-12.04-84.53-62.25-60.54-36.32Cash flow from investing activities-1.3544.2842.87144.59-107.82-134.83CHANGE IN CASH, CASH EQU.9.4149.716.4920.0020.0020.00Margins & Ratios201720182019e2020e2021e2022eSales growth41.3%29.3%-11.3%37.8%0.8%-3.2%EBIT Margin10.1%16.1%18.8%17.6%18.0%13.0%10.4%ROE7.4%20.8%17.0%20.7%23.5%16.1%ROCE4.3%11.9%9.7%11.2%13.1%10.1%ROCE7.4%20.8%40.9%41.5%39.4%44.4%49.2%Net debt270.2325.8395.9	Minorities Hybrid capital and other reserves Pension and other LT personnel accruals LT provisions	0.00 0.00 0.08	0.00 0.00 0.39	0.00 0.00 0.39	0.00 0.00 0.39	0.00 0.00 0.39	0.00 0.00 0.39
Interest-bearing ST debts 204.01 203.32 174.88 224.88 224.88 224.88 224.88 224.88 224.88 224.88 224.88 224.88 224.88 224.88 224.88 224.88 224.88 224.88 224.88 224.88 313.37 309.99 Total short-term liabilities 480.52 495.30 449.08 538.43 538.25 534.48 TOTAL LIAB., EQUITY 1 001.77 1 210.85 1 325.22 1 633.67 1 686.31 1 675.79 Cash flow Statement 2017 2018 2019e 2020e 2021e 2022e (AS,PLN m, 31/12) -	Minorities Hybrid capital and other reserves Pension and other LT personnel accruals LT provisions Interest-bearing LT debts	0.00 0.00 0.08 79.97	0.00 0.00 0.39 185.98	0.00 0.00 0.39 291.03	0.00 0.00 0.39 415.62	0.00 0.00 0.39 367.80	0.00 0.00 0.39 282.97
Other ST liabilities 276.51 291.98 274.20 313.54 313.37 309.59 Total short-term liabilities 480.52 495.30 449.08 538.43 538.25 534.48 TOTAL LIAB., EQUITY 1 001.77 1 210.85 1 325.22 1 633.67 1 686.31 1 675.79 Cash Flow Statement 2017 2018 2019e 2020e 2021e 2022e (AS,PLN mn, 31/12)	Minorities Hybrid capital and other reserves Pension and other LT personnel accruals LT provisions Interest-bearing LT debts Other LT liabilities	0.00 0.00 0.08 79.97 0.00	0.00 0.00 0.39 185.98 0.00	0.00 0.00 0.39 291.03 0.00	0.00 0.00 0.39 415.62 0.00	0.00 0.00 0.39 367.80 0.00	0.00 0.00 0.39 282.97 0.00
Total short-term liabilities 480.52 495.30 449.08 538.43 538.25 534.48 TOTAL LIAB., EQUITY 1 001.77 1 210.85 1 325.22 1 633.67 1 686.31 1 675.79 Cash Flow Statement 2017 2018 2019e 2020e 2021e 2022e (AS,PLN mn, 31/12)	Minorities Hybrid capital and other reserves Pension and other LT personnel accruals LT provisions Interest-bearing LT debts Other LT liabilities Total long-term liabilities	0.00 0.00 79.97 0.00 117.65	0.00 0.00 0.39 185.98 0.00 220.12	0.00 0.00 0.39 291.03 0.00 325.73	0.00 0.00 415.62 0.00 451.16	0.00 0.00 0.39 367.80 0.00 400.14	0.00 0.39 282.97 0.00 316.77
TOTAL LIAB., EQUITY1 001.771 210.851 325.221 633.671 686.311 675.79Cash Flow Statement (IAS,PLN mn, 31/12)201720182019e2020e2021e2022eCash flow from operating activities44.3817.6848.15-62.34188.36191.15Cash flow from investing activities-33.58-12.04-84.53-62.25-60.54-36.32Cash flow from financing activities-1.3544.2842.87144.59-107.82-134.83CHANGE IN CASH, CASH EQU.9.4149.716.4920.0020.0020.00Margins & Ratios201720182019e2020e2021e2022eSales growth41.3%29.3%-11.3%37.8%0.8%-3.2%EBITDA margin10.1%16.1%18.8%17.6%18.0%18.0%EBIT margin5.8%12.5%15.0%14.9%15.1%15.0%Net profit margin3.8%9.1%9.8%9.9%13.0%10.4%ROCE4.3%11.9%9.7%11.2%13.1%10.1%Equity ratio40.3%40.9%41.5%39.4%44.4%49.2%Net debt270.2325.8395.9550.5482.7377.9Working capital78.0230.4340.5531.6560.2553.4Inventory turnover-3.0-3.5-2.8-2.9-2.5-2.5	Minorities Hybrid capital and other reserves Pension and other LT personnel accruals LT provisions Interest-bearing LT debts Other LT liabilities Total long-term liabilities Interest-bearing ST debts	0.00 0.00 79.97 0.00 117.65 204.01	0.00 0.39 185.98 0.00 220.12 203.32	0.00 0.00 0.39 291.03 0.00 325.73 174.88	0.00 0.00 415.62 0.00 451.16 224.88	0.00 0.00 0.39 367.80 0.00 400.14 224.88	0.00 0.39 282.97 0.00 316.77 224.88
Cash Flow Statement (IAS,PLN mn, 31/12) 2017 2018 2019e 2020e 2021e 2022e Cash flow from operating activities 44.38 17.68 48.15 -62.34 188.36 191.15 Cash flow from investing activities -33.58 -12.04 -84.53 -62.25 -60.54 -36.32 Cash flow from financing activities -1.35 44.28 42.87 144.59 -107.82 -134.83 CHANGE IN CASH , CASH EQU. 9.41 49.71 6.49 20.00 20.00 20.00 Margins & Ratios 2017 2018 2019e 2020e 2021e 2022e Sales growth 41.3% 29.3% -11.3% 37.8% 0.8% -3.2% EBIT A argin 10.1% 16.1% 18.8% 17.6% 18.0% 18.0% ROE 7.4% 20.8% 17.0% 20.7% 23.5% 16.1% ROE 7.4% 20.8% 17.0% 20.7% 23.5% 16.1% ROCE 4.3% 11.9% </td <td>Minorities Hybrid capital and other reserves Pension and other LT personnel accruals LT provisions Interest-bearing LT debts Other LT liabilities Total long-term liabilities Interest-bearing ST debts Other ST liabilities</td> <td>0.00 0.00 79.97 0.00 117.65 204.01 276.51</td> <td>0.00 0.00 0.39 185.98 0.00 220.12 203.32 291.98</td> <td>0.00 0.00 0.39 291.03 0.00 325.73 174.88 274.20</td> <td>0.00 0.00 415.62 0.00 451.16 224.88 313.54</td> <td>0.00 0.00 0.39 367.80 0.00 400.14 224.88 313.37</td> <td>0.00 0.00 0.39 282.97 0.00 316.77 224.88 309.59</td>	Minorities Hybrid capital and other reserves Pension and other LT personnel accruals LT provisions Interest-bearing LT debts Other LT liabilities Total long-term liabilities Interest-bearing ST debts Other ST liabilities	0.00 0.00 79.97 0.00 117.65 204.01 276.51	0.00 0.00 0.39 185.98 0.00 220.12 203.32 291.98	0.00 0.00 0.39 291.03 0.00 325.73 174.88 274.20	0.00 0.00 415.62 0.00 451.16 224.88 313.54	0.00 0.00 0.39 367.80 0.00 400.14 224.88 313.37	0.00 0.00 0.39 282.97 0.00 316.77 224.88 309.59
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Cash flow from investing activities-33.58-12.04-84.53-62.25-60.54-36.32Cash flow from financing activities-1.3544.2842.87144.59-107.82-134.83CHANGE IN CASH, CASH EQU.9.4149.716.4920.0020.0020.00Margins & Ratios201720182019e2020e2021e2022eSales growth41.3%29.3%-11.3%37.8%0.8%-3.2%EBITDA margin10.1%16.1%18.8%17.6%18.0%15.0%BIT margin5.8%12.5%15.0%14.9%15.1%15.0%Net profit margin3.8%9.1%9.8%9.9%13.0%10.4%ROCE7.4%20.8%17.0%20.7%23.5%16.1%ROCE7.4%23.839.9550.5482.7377.9Working capital78.0230.4340.5531.6560.2553.4Capital employed711.5855.4981.01 230.11 262.91 236.2Inventory turnover-3.0-3.5-2.8-2.9-2.5-2.5	Minorities Hybrid capital and other reserves Pension and other LT personnel accruals LT provisions Interest-bearing LT debts Other LT liabilities Total long-term liabilities Interest-bearing ST debts Other ST liabilities Total short-term liabilities TOTAL LIAB. , EQUITY Cash Flow Statement	0.00 0.00 79.97 0.00 117.65 204.01 276.51 480.52 1 001.77	0.00 0.00 0.39 185.98 0.00 220.12 203.32 291.98 495.30 1 210.85	0.00 0.00 0.39 291.03 0.00 325.73 174.88 274.20 449.08 1 325.22	0.00 0.39 415.62 0.00 451.16 224.88 313.54 538.43 1 633.67	0.00 0.00 0.39 367.80 0.00 400.14 224.88 313.37 538.25 1 686.31	0.00 0.39 282.97 0.00 316.77 224.88 309.59 534.48 1 675.79
Cash flow from financing activities-1.3544.2842.87144.59-107.82-134.83CHANGE IN CASH , CASH EQU.9.4149.716.4920.0020.0020.0020.00Margins & Ratios201720182019e202e2021e2022eSales growth41.3%29.3%-11.3%37.8%0.8%-3.2%EBITDA margin10.1%16.1%18.8%17.6%18.0%18.0%EBIT margin5.8%12.5%15.0%14.9%15.1%15.0%Net profit margin3.8%9.1%9.8%9.9%13.0%10.4%ROE7.4%20.8%17.0%20.7%23.5%16.1%ROCE4.3%11.9%9.7%11.2%13.1%10.1%Equity ratio40.3%40.9%41.5%39.4%44.4%49.2%Net debt270.2325.8395.9550.5482.7377.9Working capital78.0230.4340.5531.6560.2553.4Capital employed711.5855.4981.01 230.11 262.91 236.2Inventory turnover-3.0-3.5-2.8-2.9-2.5-2.5-2.5	Minorities Hybrid capital and other reserves Pension and other LT personnel accruals LT provisions Interest-bearing LT debts Other LT liabilities Total long-term liabilities Interest-bearing ST debts Other ST liabilities Total short-term liabilities TOTAL LIAB., EQUITY Cash Flow Statement (IAS,PLN mn, 31/12)	0.00 0.00 79.97 0.00 117.65 204.01 276.51 480.52 1 001.77 2017	0.00 0.00 0.39 185.98 0.00 220.12 203.32 291.98 495.30 1 210.85 2018	0.00 0.00 0.39 291.03 0.00 325.73 174.88 274.20 449.08 1 325.22 2019e	0.00 0.00 0.39 415.62 0.00 451.16 224.88 313.54 538.43 1 633.67 2020e	0.00 0.00 0.39 367.80 0.00 400.14 224.88 313.37 538.25 1 686.31 2021e	0.00 0.39 282.97 0.00 316.77 224.88 309.59 534.48 1 675.79 2022e
CHANGE IN CASH , CASH EQU.9.4149.716.4920.0020.0020.00Margins & Ratios201720182019e2020e2021e2022eSales growth41.3%29.3%-11.3%37.8%0.8%-3.2%EBITDA margin10.1%16.1%18.8%17.6%18.0%18.0%EBIT margin5.8%12.5%15.0%14.9%15.1%15.0%Net profit margin3.8%9.1%9.8%9.9%13.0%10.4%ROE7.4%20.8%17.0%20.7%23.5%16.1%ROCE4.3%11.9%9.7%11.2%13.1%10.1%Equity ratio40.3%40.9%41.5%39.4%44.4%49.2%Net debt270.2325.8395.9550.5482.7377.9Working capital78.0230.4340.5531.6560.2553.4Capital employed711.5855.4981.01 230.11 262.91 236.2Inventory turnover-3.0-3.5-2.8-2.9-2.5-2.5	Minorities Hybrid capital and other reserves Pension and other LT personnel accruals LT provisions Interest-bearing LT debts Other LT liabilities Total long-term liabilities Interest-bearing ST debts Other ST liabilities Total short-term liabilities TOTAL LIAB. , EQUITY Cash Flow Statement (IAS,PLN mn, 31/12) Cash flow from operating activities	0.00 0.00 0.08 79.97 0.00 117.65 204.01 276.51 480.52 1 001.77 2017 44.38	0.00 0.00 0.39 185.98 0.00 220.12 203.32 291.98 495.30 1 210.85 2018 17.68	0.00 0.00 0.39 291.03 0.00 325.73 174.88 274.20 449.08 1 325.22 2019e 48.15	0.00 0.00 0.39 415.62 0.00 451.16 224.88 313.54 538.43 1 633.67 2020e -62.34	0.00 0.00 0.39 367.80 0.00 400.14 224.88 313.37 538.25 1 686.31 2021e 188.36	0.00 0.00 0.39 282.97 0.00 316.77 224.88 309.59 534.48 1 675.79 2022e 191.15
Sales growth41.3%29.3%-11.3%37.8%0.8%-3.2%EBITDA margin10.1%16.1%18.8%17.6%18.0%18.0%EBIT margin5.8%12.5%15.0%14.9%15.1%15.0%Net profit margin3.8%9.1%9.8%9.9%13.0%10.4%ROE7.4%20.8%17.0%20.7%23.5%16.1%ROCE4.3%11.9%9.7%11.2%13.1%10.1%Equity ratio40.3%40.9%41.5%39.4%44.4%49.2%Net debt270.2325.8395.9550.5482.7377.9Working capital78.0230.4340.5531.6560.2553.4Capital employed711.5855.4981.01 230.11 262.91 236.2Inventory turnover-3.0-3.5-2.8-2.9-2.5-2.5	Minorities Hybrid capital and other reserves Pension and other LT personnel accruals LT provisions Interest-bearing LT debts Other LT liabilities Total long-term liabilities Interest-bearing ST debts Other ST liabilities Total short-term liabilities TOTAL LIAB., EQUITY Cash Flow Statement (IAS,PLN mn, 31/12) Cash flow from operating activities Cash flow from investing activities	0.00 0.08 79.97 0.00 117.65 204.01 276.51 480.52 1 001.77 2017 44.38 -33.58	0.00 0.00 0.39 185.98 0.00 220.12 203.32 291.98 495.30 1 210.85 2018 17.68 -12.04	0.00 0.00 0.39 291.03 0.00 325.73 174.88 274.20 449.08 1 325.22 2019e 48.15 -84.53	0.00 0.39 415.62 0.00 451.16 224.88 313.54 538.43 1 633.67 2020e -62.34 -62.25	0.00 0.00 0.39 367.80 0.00 400.14 224.88 313.37 538.25 1 686.31 2021e 188.36 -60.54	0.00 0.00 0.39 282.97 0.00 316.77 224.88 309.59 534.48 1 675.79 2022e 191.15 -36.32
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Inventory turnover -3.0 -3.5 -2.8 -2.9 -2.5 -2.5	Minorities Hybrid capital and other reserves Pension and other LT personnel accruals LT provisions Interest-bearing LT debts Other LT liabilities Total long-term liabilities Interest-bearing ST debts Other ST liabilities Total short-term liabilities TOTAL LIAB. , EQUITY Cash Flow Statement (IAS,PLN mn, 31/12) Cash flow from operating activities Cash flow from investing activities Cash flow from financing activities Cash flow from financing activities Cash flow from financing activities Sales growth EBITDA margin EBIT margin Net profit margin ROE ROCE Equity ratio Net debt	0.00 0.08 79.97 0.00 117.65 204.01 276.51 480.52 1 001.77 2017 44.38 -33.58 -1.35 9.41 2017 41.3% 10.1% 5.8% 3.8% 7.4% 4.3% 40.3% 270.2	0.00 0.39 185.98 0.00 220.12 203.32 291.98 495.30 1 210.85 2018 17.68 -12.04 44.28 49.71 2018 29.3% 16.1% 12.5% 9.1% 20.8% 11.9% 40.9% 325.8	0.00 0.39 291.03 0.00 325.73 174.88 274.20 449.08 1 325.22 2019e 48.15 -84.53 42.87 6.49 2019e -11.3% 18.8% 15.0% 9.8% 17.0% 9.7% 41.5% 395.9	0.00 0.39 415.62 0.00 451.16 224.88 313.54 538.43 1 633.67 2020e -62.34 -62.25 144.59 20.00 2020e 37.8% 17.6% 14.9% 9.9% 20.7% 11.2% 39.4% 550.5	0.00 0.39 367.80 0.00 400.14 224.88 313.37 538.25 1 686.31 2021e 188.36 -60.54 -107.82 20.00 2021e 0.8% 18.0% 15.1% 13.0% 23.5% 13.1% 44.4% 482.7	0.00 0.39 282.97 0.00 316.77 224.88 309.59 534.48 1 675.79 2022e -33.2% 18.0% 15.0% 10.4% 16.1% 10.1% 49.2% 377.9
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Source: Company data, Erste Group estimates

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Company description Newag SA Rolling stock producer

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