

## Newag - Accumulate

Target Price: PLN 29.44 | Close as of 08/09/2020: PLN 25.20

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### Preliminary Q2 results above consensus

Newag showed preliminary Q2'20 results with following highlights:

- Q2 revenues at PLN 300.2mn (up 26% y/y, 18.8% above consensus and 3.6% below our estimates)
- EBITDA at PLN 56.1mn (up 87% y/y, 23.3% above consensus and 1.5% above our estimates), EBITDA margin at 18.7% is still higher than expected by us 17.6% in 2020 (H1 margin at 19.7%)
- Net income at PLN 29.5mn (up 115% y/y, 16% above consensus and 7.4% below our forecasts). Net margin at 9.8% is slightly lower than 9.9% expected for the whole 2020 (H1 margin at 10.9%).

Underperformance in relation to our forecasts could be an effect of higher financing costs, what can confirm high indebtedness. On the other hand some one-off higher level of tax could also be in place.

Company, similarly to the communication in preliminary Q1 results, informed that results were affected by much higher sales y/y and that this year will be characterized by more even distribution of revenues compared to previous years.

### OPINION: **POSITIVE**

*Preliminary Q2 confirms strong y/y performance of the company even amid COVID-19 related disruptions. Pandemic may be responsible for the lower than expected by us deliveries in Q2. Margin levels confirm an upside to our model assumptions.*

*Halfway through Newag already fulfilled 45.6% of our 2020 sales forecast, 50.9% of our 2020 EBITDA estimates and 50.2% of our net profit forecast. We believe that company will manage to catch up on demanding backlog, what may lead to some upside to our 2020 forecast.*

*We expect positive market reaction today.*

**Quarterly snapshot**

IFRS (PLN, mn)	Reported			Expected				Reported	
	Q2'20	Q2'19	Q1'20	y/y	q/q	ERSTE	Cons.	vs. ERSTE	vs. Cons.
Revenues	300.2	239.2	269.1	26%	12%	311.4	252.7	-3.6%	18.8%
EBITDA	56.1	30.0	55.8	87%	1%	55.3	45.5	1.5%	23.3%
adj. EBITDA		33.8	58.4						
EBIT		21.6	47.3			46.8	37.0		
Net income	29.5	13.7	32.6	115%	-9%	31.9	25.5	-7.4%	16.0%
EBITDA margin	18.7%	12.5%	20.7%			17.8%	18.0%		
EBIT margin		9.0%	17.6%			15.0%	14.6%		
Net income margin	9.8%	5.7%	12.1%			10.2%	10.1%		

Source: Company Data, Erste Group Research

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