

Newag - Hold

Target Price: PLN 28.93 | Close as of 28/04/2021: PLN 26.60

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4Q20 final in line with preliminary, solid operating cash flow (POSITIVE)

Company delivered final 4Q20 figures with the following highlight:

- Revenues PLN 517mn (+45% y/y, in line with preliminary)
- Gross profit PLN 137mn (+43% y/y, in line with preliminary)
- SG&A increased to PLN 29mn (+30% y/y).
- **EBITDA amounted to PLN 108mn (+36% y/y, in line with preliminary)**
- Net income PLN 106mn (+96% y/y, in line with preliminary)
- **Company delivered very strong operating cash flow of PLN 312mn (vs. PLN 59mn a year ago) – the effect of reduced level of inventories**
- In effect company delivered very strong FCF of PLN 304mn (vs. PLN 76mn a year ago).
- Net debt decline to PLN 340mn (vs. PLN 453mn a year ago, vs. PLN 587mn quarter ago). Net debt/EBITDA ratio decline to 1.2x (vs. 2.8x a year ago, vs. 2.2x a quarter ago)

OPINION: POSITIVE

*Despite the fact that main P&L figures came in line with the preliminaries, today we expect positive market reaction as company improved its balance sheet position, which translates into higher dividend potential. In our report we assumed dividend payout at 50% of net income what would translate into DPS PLN 2.43 per share (DY 9%), however such **solid balance sheet position may prompt the MB to recommend higher dividend payments. Payout ratio of 60%/70% implies DPS of PLN 2.92/3.4 (DY 11/13%).***

Company posted very solid operating cash flow, which is due to reduction of inventory levels. We believe that, on the one hand, this will allow for a high dividend payment, and on the other hand, it means that the deliveries of new vehicles in 2021 will be much lower than in 2020.

As we mentioned in the comment to the preliminary Q4 results, as Newag delivered in Q4 2020 the vehicles we expected in 2021, we see the potential to lower our forecast. According to the management boards statement, in 2020 Newag delivered 46 electric locomotives and 20 multiples units (vs. 43 electric locomotives and 19 multiples units expected by us).

Newag 4Q20 final figures

P&L	4Q19	1Q20	2Q20	3Q20	4Q20	y/y	prelim. vs. Prelim
Revenues	355	269	300	234	517	45%	517 0%
COGS	-259	-199	-222	-148	-379	46%	-379 0%
Gross profit	96	70	78	87	137	43%	137 0%
SG&A	-22	-20	-22	-21	-29	30%	
Other income/(expenses) net	-3	-3	-10	-4	-15	361%	
EBITDA	79	56	56	72	108	36%	108 0%
EBIT	71	47	47	62	98	38%	
Financial income/(cost) net	-6	-6	-4	-6	-1	-90%	
Profit before tax	64	41	43	56	97	51%	
Income tax	-8	-9	-14	-6	8	-198%	
Net profit	54	33	29	51	106	96%	106 0%
EPS	2.0	2.7	3.1	3.70	4.86	144%	
Margins							
Gross profit margin	27%	26%	26%	37%	27%		27%
EBITDA margin	22%	21%	19%	31%	21%		21%
EBIT margin	20%	18%	16%	26%	19%		
Net profit margin	15%	12%	10%	22%	21%		21%
Main BS&CF items							
OCF	59	35	-56	-32	312		
CAPEX	17	-24	-24	-5	-8		
FCF	76	11	-80	-37	304		
Net Debt	453	447	557	587	340		
ND/EBITDA	2.8	2.2	2.4	2.2	1.2		
Equity	552	584	614	619	725		
BVPS	12	13	14	14	16		

Source: Company, Erste Group Research

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