AUTO PARTNER

Pilot suport program for analitycal coverage

Bloomberg: APR PW, Reuters: APR.WA

CEE Equity Research

Car parts distribution, Poland

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Net profit improvement in 4Q19E

Auto Partner (Buy, TP PLN7.5)

4Q19 results preview

- We expect that Auto Partner should deliver 10% y/y growth of EBTIDA and 13% y/y net profit in 4Q19E;
- Sales should come in at PLN367mn, in line with monthly statements published by the company;
- Gross margin should stay high at 26.5%, however 50bps lower than a record-high level of 27.0% recorded a year ago;
- Operating expenses should come in at PLN77mn or 21.0% vs. sales. Costs should be inflated mainly by logistics costs (7.5% vs. 7.0% in relation to sales a year ago). We expect sales costs at 11.8% in relation to sales – flat y/y;
- We did not assume any fx gains or losses;
- We have not assumed any untypical changes in taxes and net financials. Net profit is likely to come in at PLN14.9mn (+13% y/y on adj. basis).

Fig. 1. Auto Partner: 4Q19 results preview

PLNmn	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19E	y/y	q/q
Sales	240.4	253.9	303.4	303.7	293.9	326.7	392.9	391.5	366.8	25%	-6%
EBITDA	11.0	21.1	23.9	23.8	20.9	24.0	21.5	25.0	23.0	10%	-8%
EBITDA margin	4.6%	8.3%	7.9%	7.8%	7.1%	7.3%	5.5%	6.4%	6.3%	(0.9)	(0.1)
Adj. EBITDA	11.5	19.7	25.6	19.3	21.2	23.5	22.1	25.0	23.0	8%	-8%
EBIT	9.1	19.0	21.7	21.6	18.6	21.6	19.3	22.3	20.4	10%	-9%
EBIT margin	3.8%	7.5%	7.2%	7.1%	6.3%	6.6%	4.9%	5.7%	5.6%	(0.8)	(0.2)
Net profit	4.5	12.9	16.7	15.9	13.2	15.4	13.3	15.6	14.9	13%	-4%
Net margin	1.9%	5.1%	5.5%	5.2%	4.5%	4.7%	3.4%	4.0%	4.1%	(0.4)	0.1
Adj. Net profit	6.6	12.9	17.2	12.3	12.9	14.9	13.5	15.6	14.9	15%	-4%

*Source: Company data, Santander Brokerage Poland, * EBITDA and net profit in 3Q18 were inflated by PLN4.5mn by the reversal of provision on too conservative accounting of loyalty programs*

Fig. 2. Auto Partner: Financial forecast summary

PLNmn	2017	2018	2019E	2020E	2021E
Sales	915	1,155	1,470	1,802	2,220
EBITDA	62	90	99	118	133
EBIT	55	81	90	108	122
Net profit	35	59	64	79	90
P/E	18.8	9.1	9.0	7.4	6.5
EV/EBITDA	13.2	7.8	7.6	6.2	5.2
DY	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data, Santander Brokerage Poland

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CPI – consumer price index
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Residual income method is conceptually close to the discounted cash flows method (DCF) for non-financial stocks, the difference being that it is based on expected residual income (returns over COE) rather than expected future cash flows. One advantage of this valuation method is that it captures the excess of profit potentially available to shareholders and the cost of money over time. Main disadvantage of the valuation method is that a large number of parameters and assumptions need to be estimated; and the valuation is sensitive to changes in those parameters.
The warranted equity method (WEV) is based on the formula P/BV = (two year forward ROE less sustainable growth rate)/(Cost of equity less sustainable growth rate) which allows estimating a fair value (FV) of a given stock in two years' time. Subsequently the FV is discounted back to today. The main advantage of the WEV method is that it is a transparent one and based on relatively short term forecasts, hence substantially reducing the margin of forecasting error. The main disadvantage in our view is that the model is based on the principle that stock price should converge towards its fair value implied by company's ROE and COE.
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