

## Pilot support program for analytical coverage

Bloomberg: APR PW, Reuters: APR.WA

CEE Equity Research

Car parts distribution, Poland

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Tomasz Sokolowski, Equity Analyst

+48 22 586 8236,

tomasz.sokolowski@santander.pl

### 1Q20E weaker y/y but ahead of our expectations

#### Auto Partner (Buy, TP PLN8.5)

#### 1Q20 results review

- Auto Partner reported 18% lower net profit y/y in 1Q20 mainly due to the pandemic hit in March. Sudden decline of sales growth from +20% y/y in February to -3% in March brought in adverse effects of operating leverage with opex/sales ratio increase by 0.9pp to 21.0%. Also, gross margin decreased by 0.4pp to 26.2%. Please note strong operating cash flow at PLN38mn, which decreased pre-lease net debt/EBITDA to 1.5x;
- On the other hand, Auto Partner's 1Q20 results came in 28% ahead of our expectations due to lower than expected operating costs at PLN78mn vs. SANe PLN83mn. At the same time, 1Q20 came in 12% ahead of market expectations.

**Comment: Positive.** In our view, Auto Partner's results prove that car repairs market might be seen as defensive one. We believe that 2Q20E might end up with net profit improvement y/y after revival seen on the market in May resulting from gradual lockdown easing. Also, please note solid Operating CF in 1Q20 during sales growth slowdown. In our view it provides an answer to the common concern over Auto Partner's weak cash flows during the period of fast sales growth (>+20% y/y). Fast-growing distribution model naturally needs working capital (primarily inventories) to fuel growth. All in all, the impression after 1Q20 results is positive.

Tomasz Sokolowski +22 586 8236

Fig. 1. Auto Partner: 1Q20 results review

PLNm	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	y/y	q/q	SAN
Sales	303.4	303.7	293.9	326.7	392.9	391.5	367.9	371.1	14%	1%	370.2
EBITDA	23.9	23.8	20.9	24.0	21.5	25.0	24.5	24.7	3%	1%	19.0
EBITDA margin	7.9%	7.8%	7.1%	7.3%	5.5%	6.4%	6.7%	6.6%	-0.7	(0.0)	5.1%
EBIT	21.7	21.6	18.6	21.6	19.3	22.3	20.6	19.0	-12%	-8%	14.8
EBIT margin	7.2%	7.1%	6.3%	6.6%	4.9%	5.7%	5.6%	5.1%	-1.5	(0.5)	4.0%
Net profit	16.7	15.9	13.2	15.4	13.3	15.6	14.5	12.7	-18%	-12%	9.9
Net margin	5.5%	5.2%	4.5%	4.7%	3.4%	4.0%	3.9%	3.4%	-1.3	(0.5)	2.7%

Source: Company data, Santander Brokerage Poland

Fig. 2. Auto Partner: 1H20E forecast

PLNm	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	y/y	2Q20E	y/y
Sales	303.4	303.7	293.9	326.7	392.9	391.5	367.9	371.1	14%	379.6	-3%
EBITDA	23.9	23.8	20.9	24.0	21.5	25.0	24.5	24.7	3%	26.7	24%
EBITDA margin	7.9%	7.8%	7.1%	7.3%	5.5%	6.4%	6.7%	6.6%	-0.7	7.0%	1.6
EBIT	21.7	21.6	18.6	21.6	19.3	22.3	20.6	19.0	-12%	22.4	16%
EBIT margin	7.2%	7.1%	6.3%	6.6%	4.9%	5.7%	5.6%	5.1%	-1.5	5.9%	1.0
Net profit	16.7	15.9	13.2	15.4	13.3	15.6	14.5	12.7	-18%	16.1	21%
Net margin	5.5%	5.2%	4.5%	4.7%	3.4%	4.0%	3.9%	3.4%	-1.3	4.2%	0.9

Source: Company data, Santander Brokerage Poland

**Fig. 3. Auto Partner: Financial forecasts' summary**

<b>PLNmn</b>	<b>2018</b>	<b>2019</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>
Sales	1,155	1,477	1,810	2,231	2,617
EBITDA	90	100	134	145	179
EBIT	81	82	114	123	155
Net profit	59	58	83	91	117
P/E	9.1	10.1	7.0	6.4	5.0
EV/EBITDA	7.8	8.1	5.9	5.3	3.9
DY	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data, Santander Brokerage Poland

No recommendations, TPs or forecasts were altered in this note.



### **Tomasz Sokolowski**

Equity analyst  
CEE Equity Research  
Santander Brokerage Poland  
+48 22 586 82 36 | +48 695 201 141  
17 Jana Pawła II Av., 00-854 Warsaw  
[tomasz.sokolowski@santander.pl](mailto:tomasz.sokolowski@santander.pl)

# Santander Brokerage Poland

Jana Pawła II Avenue 17  
00-854 Warszawa  
fax. (+48) 22 586 81 09

## Equity Research Department

Kamil Stolarski, CFA, <i>Head of Equity Research Strategy, Financials</i>	tel. (+48) 22 586 81 00	kamil.stolarski@santander.pl
Paweł Puchalski, CFA, <i>Equity Analyst Telecommunications, Metals &amp; Mining, Power</i>	tel. (+48) 22 586 80 95	pawel.puchalski@santander.pl
Tomasz Krukowski, CFA, <i>Equity Analyst Oil&amp;Gas, CEE Non-Financials</i>	tel. (+48) 22 586 81 55	tomasz.krukowski@santander.pl
Adrian Kyrzcz, <i>Equity Analyst Construction, Real Estate, IT</i>	tel. (+48) 22 586 81 59	adrian.kyrzcz@santander.pl
Tomasz Sokołowski, <i>Equity Analyst Consumer Goods, Retail</i>	tel. (+48) 22 586 82 36	tomasz.sokolowski@santander.pl
Michał Sopieli, <i>Equity Analyst Industrials, Oil&amp;Gas, Chemicals, Quantitative Analysis</i>	tel. (+48) 22 586 82 33	michal.sopiel@santander.pl

## Sales & Trading Department

<b>Kamil Kalemba, <i>Head of Institutional Equities</i></b>	tel. (+48) 22 586 80 84	kamil.kalemba@santander.pl
Mateusz Choromański, CFA, <i>Head of Sales Securities Broker, Investment Advisor</i>	tel. (+48) 22 586 80 82	mateusz.choromanski@santander.pl
Robert Chudala	tel. (+48) 22 586 85 14	robert.chudala@santander.pl
Alex Kamiński	tel. (+48) 22 586 80 63	alex.kaminski@santander.pl
Błażej Leśków, <i>Securities Broker</i>	tel. (+48) 22 586 80 83	blazej.leskow@santander.pl
Michał Stepkowski, <i>Securities Broker</i>	tel. (+48) 22 586 85 15	michal.stepkowski@santander.pl
Marek Wardzyński, <i>Securities Broker</i>	tel. (+48) 22 586 80 87	marek.wardzynski@santander.pl

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PEG - P/E to growth ratio

EPS - earnings per share

CPI – consumer price index

WACC - weighted average cost of capital

CAGR – cumulative average annual growth

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NOPAT – net operational profit after taxation

FCF - free cash flows

BV – book value

ROE – return on equity

P/BV – price-book value

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