

# Comp S.A.

Price target: PLN 90.10

Initiating Coverage

Rating: BUY

The IT and technology company Comp S.A. (CMP) is Polish market leader in the area of IT security (incl. cybersecurity and cryptography) and No 1 in Poland and Hungary in fiscal equipment. In the IT segment, it serves the largest Polish companies and public institutions, while sales of fiscal registers are mainly driven by the legal obligation to buy online cash registers until mid-2021E. However, the company's main growth driver in the long run is the new digital services platform M/Platform, which allows traditional retailers to improve working capital management and profitability. Since its market introduction in Q2/19 M/Platform has already gained 16 FMCG producers and >12,000 Polish shops with yearly sales of PLN >18bn. By 2023E, we expect the new product to contribute PLN 90m to Comp's total sales at an EBIT margin of 25%, which we believe is a conservative assumption. According to our Sum-of-the-Parts analysis, CMP's current share price only reflects the fair value of its historical IT and Retail business, but not the M/Platform. On our estimates, CMP's current P/E 2021E is 7.4x and exp. DYield 2020E 3.8%. We initiate coverage with a 12-months SOTP-based PT of PLN 90.10 and a BUY rating.

Due to a leading market position in its two traditional business segments and long-term relationships with clients CMP has generated solid operating margins and positive cashflows in each year since 2016. In 2016-2019, revenues in the IT segment grew at a CAGR of 6.2% and EBIT margins equaled 4%-8%. In the Retail segment, where the company has a market share in PL and HU of >40%, the sales CAGR 16-19 equaled 14.4% and EBIT margins 10%-14%.

While in Poland the Cybersecurity market is rapidly growing (value of PLN 1.5bn; 5y CAGR = 10.8%) and sales of cash registers should strongly develop in H2/20E & H1/21E, in our view the main driver for CMP will be M/Platform, which leverages the company's strong relations with retailers and similar to German peer Vectron Systems allows it to monetise data. We expect that in 2020E the new solution contributed sales of PLN 5.3m at an EBIT margin of 12%, which by 2023E should grow to PLN 90m and 25% respectively. In our view, M/Platform could increase CMP's EBIT margin from 6.7% in 2019 to c. 11% in the long run.

## Company profile

Comp is the No 1 provider of fiscal equipment and IT security solutions in Poland. A new, but rapidly growing business area, are innovative software solutions for the retail sector similar to e.g. German Vectron Systems. Comp plans to put a stronger focus on monetisation of data and service revenues.

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Sector	IT
Country	Poland
ISIN	PLCMP0000017
Reuters	CMP.WA
Bloomberg	CMP PW

## Share information

Last price	58.60
No of shares (m)	5.92
Market cap. (PLNm)	346.81
Market cap. (EURm)	77.03
52-week range	PLN 75 / PLN 47.30
Avg. volume (3-months)	2,178

## Performance

4-weeks	3.53%
13-weeks	12.26%
26-weeks	-6.98%
52-weeks	-12.28%
YTD	8.12%

## Shareholder structure

Own shares*	19.20%
MetLife Pension Fund	16.22%
Rockbridge TFI	9.96%
NN Pension Fund	9.45%
Jacek Papaj**	5.70%
Robert Tomaszewski (CEO)	5.13%
Free Float	34.34%

\* thereof 456.6k belong to Comp S.A. and 679.6k to its subsidiary Comp Centrum Innowacji Sp. z o.o

\*\* Mr Papaj is Member of Comp's Supervisory Board, its founder and former CEO

## Financial calendar

Annual Report 2020	April 30, 2021
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## Analyst

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in PLNm	2018	2019	2020E	2021E	2022E	2023E
Net sales	677.92	734.77	704.01	848.26	827.18	885.80
EBITDA	71.81	87.70	74.25	109.51	112.00	125.70
EBIT	42.37	49.14	32.25	65.41	67.85	81.51
Adj. Net income*	18.31	24.95	19.35	46.88	49.50	61.19
Adj. EPS*	3.83	5.33	3.27	7.92	8.36	10.34
DPS	0.00	0.00	2.20	2.38	2.51	3.10
Dividend yield	0.00%	0.00%	3.75%	4.05%	4.28%	5.29%
RoE	23.79%	3.82%	3.44%	8.83%	8.75%	10.09%
Net gearing	36.81%	45.51%	40.68%	38.79%	27.67%	18.72%
EV/Sales	0.82x	0.76x	0.79x	0.66x	0.67x	0.63x
EV/EBITDA	7.74x	6.34x	7.49x	5.08x	4.96x	4.42x
Adj. P/E*	15.30x	10.99x	17.92x	7.40x	7.01x	5.67x

\* excl. result from discontinued operations

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## Investment Case

- Comp S.A. (CMP), which has been active on the market for 30 years, is the No 1 provider of IT security solutions incl. Cryptography and Cybersecurity in Poland. It is also market leader in the area of fiscal equipment in Poland and Hungary with a market share of 49% and 43% respectively. Both segments are characterized by relatively high market entry barriers as the providers of respective solutions often need certain certificates and customers are very loyal. In the IT segment, Comp has the largest Polish companies and public institutions as clients, while in the Retail segment it benefits from regulations that oblige every shop owner, restaurant or hairdresser in Poland to install online cash registers by July 2021E. Leveraging its strong position in the Polish retail sector, in 2019 Comp introduced the digital services/data mining platform M/Platform, which should increase its EBIT margin from 6.7% in 2019 to c. 11% in the long run.
- M/Platform is a digital services platform, which allows smaller shops to purchase inventory from different suppliers and offer the same kind of promotions to their clients as large retail chains. Since H2/19, it has already gained >12,000 shops with PLN >18bn yearly sales and 16 well-known FMCG producers e.g. Heineken, Coca-Cola, Unilever as clients. By 2023E, we believe that the number of shops will increase to 35,000 and the number of producers to 50. The platform, which with the support of Comp's partner Heineken could also be introduced in South-Eastern Europe, Africa or Asia in the future, is expected to be the company's main growth driver going forward and generate EBIT margins of c. 25%.
- According to IDC, the Cybersecurity market in Poland is worth c. PLN 1.5bn and could reach PLN 2.5bn by 2025E. The traditional retail market is worth PLN 440bn and the number of retailers is estimated at 102,150, according to Nielsen. The number of potential clients of the M/Platform in Poland - small shops, petrol stations, kiosks and drugstores – equals >86,000.
- Especially due to a weak Q2 & Q3 following the introduction of the coronavirus-related lockdown in March, for 9M/20 Comp reported both lower revenues (-9.2% to PLN 409.5m) and net income excl. disc. operations (-67.5% to PLN 6.8m) y-o-y. As we expect a very strong Q4 in the IT segment, we estimate that in 2020 the company generated sales of PLN 704m (-4.2% y-o-y; thereof M/Platform PLN 5.3m), EBIT margin of 4.6% (2019: 6.7%) and net income excl. disc. operations of PLN 19.4m (-22.4% y-o-y). Due to the obligation to install online cash registers by mid-2021E and rapid growth of M/Platform we believe that by 2023E Comp's sales will reach PLN 885.8m (thereof: PLN 90m M/Platform), EBIT margin 9.5% and net income PLN 61.2m.
- We recommend to BUY Comp with a SOTP-based price target of PLN 90.10, whereby we have valued each business area separately and accounted for 1.14m of own shares. We believe that the company is an attractive investment at present due to following reasons: (1) Market leading position in its historical business areas, (2) Fast-growing high-margin new product M/Platform, which leverages Comp's strength in fiscal equipment and its Poland-wide distribution network, and (3) Likely return to dividend payouts from 2021E (exp. DYield of 3.8%) due to strong cash flow.

## SWOT Analysis

### Strengths

- Comp is the market leader in Poland in the area of fiscal equipment and IT security. It has >40 security certificates of the Polish government, EU and NATO and first degree of Industrial Security Clearance
- Large and financially stable customers in IT security incl. public administration and state-owned enterprises, strong brand recognition in Poland and favorable Europe-wide regulations in the area relating to cash registers
- No client accounts for >10% of yearly revenues
- Excellent long-term relationships to leading technology suppliers e.g. HP, Oracle, Microsoft, Dell, VMware and Symantec
- Leveraging its strong relations to Polish shop owners, Comp introduced its new digital services platform M/Platform in Q2/19, which has already gained >12,000 shops and 16 FMCG producers as clients. In the last years, the company has already developed one successful startup project: PayTel, a provider of electronic payment terminals
- Positive operating cash flow in each of the last 3 years
- Stable shareholder base with a high share of pension funds. Own shares make up 19.2% of the total

### Opportunities

- Increase of the EBIT margin from currently c. 5% to c. 11% in the coming years due to high-margin M/Platform. The new digital platform could gain in total 35,000 clients in Poland by 2023E and with the help of Heineken also enter foreign markets
- Market introduction of new proprietary products e.g. virtual cash registers with add-on services, where CMP is first-mover in PL
- The market for Cybersecurity in Poland is expected to grow at a CAGR of 10.8% by 2025E. In the short term, the business related to cash registers will likely benefit from the legal obligation in Poland to install temper-proof cash registers by mid-2021E
- Return to regular dividend payouts or share buybacks from 2021E due to higher profitability and cash generation. Comp will likely also receive a significant cash inflow by 2021E from the last instalment for PayTel

### Weaknesses

- 47.8% of revenues in 2019 stemmed from Retail clients, some of which could be forced out of business due to the coronavirus pandemic
- Still low share of international markets in total revenues (6.9% in 9M/20), but exports to c. 20 countries worldwide
- Relatively high goodwill of PLN 272.8m, which equaled 54.3% of equity (excl. minority interests) at the end of Sep 2020
- Apart from the new product M/Platform, all business areas have project- or tender-based revenues
- Sales of IT segment are subject to strong seasonality, with Q4 usually being the best quarter of the year

### Threats

- The Polish IT market, which is worth USD 30bn and is growing at c. 3% y-o-y, attracts new international players
- IT specialists are expensive and scarce. The competition for talent is intense
- Legal risk as distribution of sales data in case of M/Platform may be subject to investigation by anti-trust watchdog UOKiK. However, Comp only uses aggregated data according to regions, which it does only use internally and does not distribute to third parties
- Weaker availability of spare parts for fiscal equipment and IT security devices due to COVID-19

## Valuation

In order to reflect all its business segments appropriately, we have valued Comp by using a Sum-of-the-Parts valuation, which we have additionally discounted by 30% in order to account for uncertainty. Our model accounts for the 1.14m of shares, which have been bought back by Comp in the last years. Our approach derives a 12-months PT of PLN 90.10, which implies an upside of 53.8% at present and a BUY rating.

Below are the key assumptions of our DCF valuations:

- (1) *Risk-free rate*: Current yield of Polish long-term government bonds with maturity in 2047E is 1.69% (Source: [www.boerse-stuttgart.de](http://www.boerse-stuttgart.de))
- (2) *Beta*: 4-year average unlevered beta for companies from the Software System & Application sector, which are based in Emerging Markets, is 1.5x (Source: [www.damodaran.com](http://www.damodaran.com))
- (3) *Target equity ratio*: 80%
- (4) *Levered beta*: 1.8x
- (5) *Equity costs*: 11.7%
- (6) *Equity risk premium (Poland)*: 5.54% (Source: [www.damodaran.com](http://www.damodaran.com))
- (7) *WACC*: 9.7%
- (8) *Sales growth in the terminal period*: 2%
- (9) Free cash flows are discounted to 14 February 2021

## Sum-of-the Parts

We have valued all of Comp's business segments separately: (1) IT segment – based on peer group multiples for 2019-21E of other listed Polish IT companies, which provide services in the area of IT security, and (2) Retail segment & M/Platform – with DCF models.

### *IT segment*

Comp's main listed competitors in this area are Polish IT companies Wasko S.A., Asseco Poland S.A., Comarch S.A., Atende S.A. and Passus S.A. Below are the most important facts about them.

**Overview over listed Polish providers of IT security**

	Description	Market cap	Last FY sales
Wasko S.A.	Wasko develops and integrates solutions relating to IT, industry automation, Telco and Electronics. The company constructs broadband and transport networks and conducts IT projects in the area of aviation, healthcare and public administration.	PLN 118.6m	PLN 415m
Asseco Poland S.A.	Asseco Poland, which is the 6th largest software company in Europe, offers products for clients from the areas of banking, payments, insurance, healthcare, energy, telco, media, uniformed services and public administration. In 2019, 88.6% of ist sales stemmed from abroad and 81.1% from own products.	PLN 5.7bn	PLN 10.7bn
Comarch S.A.	Comarch provides software, hardware, integration and training services for clients from various sectors and public administration. Foreign markets account for c. 59% and own software for 17.3% of the company's total sales.	PLN 1.6bn	PLN 1.4bn
Atende S.A.	Atende specializes in the integration of ICT e.g. in next-generation computer networks and data centers. It also offers leading solutions in the area of cybersecurity. An increasingly important part of its business is cloud computing and managed services.	PLN 130.7m	PLN 295.3m
Passus S.A.	Passus focuses on the design and implementation of highly specialized IT solutions in the area of network and application performance monitoring and improvement, as well as IT security in on-premise architecture, hybrid solutions or private and public clouds.	PLN 100.7m	PLN 38.7m

Source: CapitalIQ, company websites, East Value Research GmbH

## Trading multiples-based valuation of Comp's IT segment

Company	EV/Sales			EV/EBIT			P/BVPS	EBITDA margin	Net gearing
	2019	2020E	2021E	2019	2020E	2021E	Latest	Latest	Latest
Wasko S.A. (PLN)	0.29x	n.a	n.a	17.41x	n.a	n.a	0.51x	4.84%	0.69%
Asseco Poland S.A. (PLN)	0.60x	0.53x	0.50x	6.52x	5.60x	5.25x	0.98x	13.23%	10.82%
Comarch S.A. (PLN)	1.00x	0.92x	0.89x	9.27x	9.64x	9.77x	1.55x	14.02%	-14.81%
Atende S.A. (PLN)	0.48x	0.66x	0.61x	7.04x	10.58x	9.71x	1.81x	6.57%	13.97%
Passus S.A. (PLN)	2.68x	n.a	n.a	51.69x	n.a	n.a	11.74x	7.00%	32.58%
<b>Median</b>	<b>0.60x</b>	<b>0.66x</b>	<b>0.61x</b>	<b>9.27x</b>	<b>9.64x</b>	<b>9.71x</b>			
Implied EV Comp S.A. - IT segment (PLN)	210.73	231.30	230.27	176.66	158.55	182.63			
<b>Fair Enterprise Value - IT segment</b>	<b>198.36</b>								

Source: CapitalIQ, marketscreener.com, East Value Research GmbH

The valuation of Comp's IT segment is based on 2019 results, our estimates for 2020E-21E and median consensus multiples of Wasko, Asseco Poland, Comarch, Atende and Passus. It results in a Fair Enterprise Value of PLN 198.4m.

### Retail segment

In the area of Retail, which reflects Comp's business with fiscal equipment (incl. Point-of-Sale systems), the company is most comparable to German Vectron Systems AG, Canadian Lightspeed POS Inc., Chinese Urovo Technology and Uniform Industrial from Taiwan.

Our DCF model is based on a WACC of 9.7%, yearly growth of depreciation and amortization of 1%, CAPEX = D&A and working capital investments of 3% of total sales per annum. Our approach results in a Fair Enterprise Value of Comp's Retail segment (excl. M/Platform) of PLN 115.9m.

in PLNm	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
<b>Net sales</b>	<b>456.00</b>	<b>384.72</b>	<b>386.52</b>	<b>388.32</b>	<b>390.12</b>	<b>391.92</b>	<b>393.72</b>	<b>395.52</b>	<b>397.32</b>
(y-o-y change)	20.5%	-2.5%	7.1%	8.4%	4.6%	3.8%	3.7%	3.6%	7.1%
<b>Operating profit</b>	<b>66.24</b>	<b>55.12</b>	<b>54.60</b>	<b>54.08</b>	<b>53.55</b>	<b>53.02</b>	<b>50.90</b>	<b>48.76</b>	<b>46.59</b>
(operating margin)	14.5%	14.3%	14.1%	13.9%	13.7%	13.5%	12.9%	12.3%	11.7%
<b>NOPAT</b>	<b>53.66</b>	<b>44.65</b>	<b>44.23</b>	<b>43.81</b>	<b>43.38</b>	<b>42.94</b>	<b>41.23</b>	<b>39.49</b>	<b>37.74</b>
+ Depreciation & amortisation	6.57	6.63	6.70	6.76	6.83	6.90	6.97	7.04	7.11
= Net operating cash flow	60.22	51.28	50.93	50.57	50.21	49.84	48.19	46.53	44.85
- Total investments (Capex and WC)	-20.25	-18.17	-18.29	-18.41	-18.54	-18.66	-18.78	-18.90	-19.03
Capital expenditures	-6.57	-6.63	-6.70	-6.76	-6.83	-6.90	-6.97	-7.04	-7.11
Working capital	-13.68	-11.54	-11.60	-11.65	-11.70	-11.76	-11.81	-11.87	-11.92
= Free Cash Flow (FCF)	39.98	33.10	32.63	32.16	31.67	31.18	29.41	27.63	25.82
<b>PV of FCFs</b>	<b>36.85</b>	<b>27.80</b>	<b>24.97</b>	<b>22.42</b>	<b>20.12</b>	<b>18.05</b>	<b>15.52</b>	<b>13.28</b>	<b>11.31</b>
PV of FCFs in explicit period	190.32								
PV of FCFs in terminal period	-74.45								
<b>Enterprise Value (EV)</b>	<b>115.87</b>								
<b>WACC</b>	<b>9.7%</b>								
Cost of equity	9.7%								
Pre-tax cost of debt	2.5%								
Normal tax rate	19.0%								
After-tax cost of debt	2.0%								
Share of equity	80.0%								
Share of debt	20.0%								

Source: East Value Research GmbH

## Overview over listed providers of POS systems

	Description	Market cap	Last FY sales
Urovo Technology Co. Ltd.	Urovo provides mobile computers, mobile printers & scanners and payment terminals among others for the retail sector.	CNY 4.3bn	CNY 951.3m
Uniform Industrial Corp.	Uniform Industrial Corporation provides customized solutions for the payment industry e.g. magnetic stripes, smart chips, secure card readers, contactless readers and POS systems.	TWD 633.4m	TWD 986.7m
Lightspeed POS Inc.	With a cloud-based platform and POS systems, Lightspeed POS helps restaurants and retailers sell across channels, manage operations, engage with consumers, accept payments, and grow their business. In Q1/20, the company acquired German Gastrofix (installed basis of 8,000 devices) for min. EUR 126m implying an EV/Sales multiple of 10.1x	CAD 11bn	CAD 153m
Vectron Systems AG	With c. 80,000 installed devices, Vectron is market leader in the DACH region in the area of proprietary cash registers for restaurants and bakeries. The company regards itself as innovation and technology leader and focuses on the medium and premium segment of the market. Vectron, which generates gross margins of >50%, sells its cash registers as a means for delivery of digital services relating to customer activity, loyalty programs or payments.	EUR 97.2m	EUR 25.5m

Source: CapitalIQ, company websites, East Value Research GmbH

## Trading multiples of listed providers of POS systems

Company	EV/Sales			EV/EBITDA			P/BVPS	EBITDA margin	Net gearing
	2019	2020E	2021E	2019	2020E	2021E	Latest	Latest	Latest
Urovo Technology Co. Ltd. (CNY)	4.08x	n.a	n.a	31.25x	n.a	n.a	2.85x	13.05%	-25.59%
Uniform Industrial Corp. (TWD)	0.51x	n.a	n.a	9.50x	n.a	n.a	0.85x	5.37%	-17.46%
Lightspeed POS Inc. (CAD)	70.56x	40.71x	24.32x	n.a	n.a	n.a	8.03x	-34.31%	-12.95%
Vectron Systems AG (EUR)	3.57x	3.27x	2.05x	n.a	n.a	14.37x	4.18x	-5.45%	-26.72%
<b>Median</b>	<b>3.82x</b>	<b>21.99x</b>	<b>13.18x</b>	<b>20.38x</b>	<b>n.a</b>	<b>14.37x</b>	<b>3.51x</b>		
Comp S.A. (PLN)*	0.67x	0.70x	0.58x	5.58x	6.59x	4.47x	0.56x	11.94%	41.62%
<b>Premium/discount</b>	<b>-82.6%</b>	<b>-96.8%</b>	<b>-95.6%</b>	<b>-72.6%</b>	<b>n.a</b>	<b>-68.9%</b>	<b>-84.1%</b>		

\* excl. 1.14m own shares

Source: CapitalIQ, East Value Research GmbH

Our analysis shows that Comp is currently trading at a significant double-digit discount versus international providers of POS systems.



*M/Platform*

Like the Retail segment, we have valued the M/Platform with a DCF model, whereby we have used WACC = 9.7% and assumed Depreciation & Amortisation of 4.8% of yearly sales in the long run, CAPEX = D&A and yearly working capital investments = 0. This approach derives a Fair Enterprise Value of PLN 468m.

in PLNm	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
<b>Net sales</b>	<b>19.05</b>	<b>45.00</b>	<b>90.00</b>	<b>150.00</b>	<b>180.00</b>	<b>210.00</b>	<b>240.00</b>	<b>270.00</b>	<b>300.00</b>
(y-o-y change)	262.9%	136.2%	100.0%	66.7%	20.0%	16.7%	14.3%	12.5%	11.1%
<b>Operating profit</b>	<b>2.86</b>	<b>10.13</b>	<b>22.50</b>	<b>36.75</b>	<b>43.20</b>	<b>49.35</b>	<b>55.20</b>	<b>60.75</b>	<b>66.00</b>
(operating margin)	15.0%	22.5%	25.0%	24.5%	24.0%	23.5%	23.0%	22.5%	22.0%
<b>NOPAT</b>	<b>2.31</b>	<b>8.20</b>	<b>18.23</b>	<b>29.77</b>	<b>34.99</b>	<b>39.97</b>	<b>44.71</b>	<b>49.21</b>	<b>53.46</b>
+ Depreciation & amortisation	4.20	6.30	7.25	8.33	9.58	11.02	11.96	12.97	14.07
= Net operating cash flow	6.51	14.50	25.47	38.10	44.57	50.99	56.67	62.18	67.53
- Total investments (Capex and WC)	-4.20	-6.30	-7.25	-8.33	-9.58	-11.02	-11.96	-12.97	-14.07
Capital expenditures	-4.20	-6.30	-7.25	-8.33	-9.58	-11.02	-11.96	-12.97	-14.07
Working capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
= Free Cash Flow (FCF)	2.31	8.20	18.23	29.77	34.99	39.97	44.71	49.21	53.46
<b>PV of FCFs</b>	<b>2.13</b>	<b>6.89</b>	<b>13.95</b>	<b>20.76</b>	<b>22.23</b>	<b>23.14</b>	<b>23.58</b>	<b>23.65</b>	<b>23.41</b>
PV of FCFs in explicit period	159.74								
PV of FCFs in terminal period	308.21								
<b>Enterprise Value (EV)</b>	<b>467.95</b>								
<b>WACC</b>	<b>9.7%</b>								
Cost of equity	9.7%								
Pre-tax cost of debt	2.5%								
Normal tax rate	19.0%								
After-tax cost of debt	2.0%								
Share of equity	80.0%								
Share of debt	20.0%								

Source: East Value Research GmbH

**Price target calculation**

<b>Sum-of-the-Parts</b>	
IT segment	198.36
Retail segment	115.87
M/Platform	467.95
<b>Sum of Enterprise Values (PLNm)</b>	<b>782.18</b>
<b>Sum of EV (with 30% discount)</b>	<b>601.68</b>
- Net debt (31/12/2020E)	-209.04
<b>Implied Equity Value (PLNm)</b>	<b>392.64</b>
Number of shares less 1.14m own shares	4.78
<b>Implied Equity Value per share (PLN)</b>	<b>82.10</b>
<b>Implied Equity Value per share (in 12 months)</b>	<b>90.10</b>

Source: East Value Research GmbH

## 9M/20 results

### Revenues and Profitability

In 9M/20, Comp generated total revenues of PLN 409.5m, which corresponded to a y-o-y decline of 9.2%. The share of international sales equaled 6.5% and was thus below last year (9M/19: 7.5%). Despite the coronavirus-related lockdown, in the Retail segment sales only declined by 5.6% y-o-y, which in our view stemmed from the fact that there is a legal obligation in Poland to exchange old cash registers with new non-manipulable ones by mid-2021E at the latest. In the IT segment revenues went down by 15.6% y-o-y as during the lockdown, which started in March 2020, many public tenders were postponed and companies halted their planned investments.

The coronavirus pandemic had a negative impact on Comp especially in April during the first lockdown, among others with regard to purchasing spare parts and components, realization of contracts at clients' premises as well as functioning of the distribution and service network of the company's subsidiary Elzab. In order to counteract the difficult situation due to the pandemic, management introduced reductions of working hours and salaries and re-negotiated contracts with several suppliers.

in PLNm	9M/20	9M/19
<b>Segment Retail</b>	<b>235.92</b>	<b>249.81</b>
<i>Share in total sales</i>	<i>57.6%</i>	<i>55.4%</i>
EBIT margin	10.9%	14.8%
<b>Segment IT</b>	<b>175.74</b>	<b>208.26</b>
<i>Share in total sales</i>	<i>42.9%</i>	<i>46.2%</i>
EBIT margin	4.1%	8.8%
<b>Others</b>	<b>-2.12</b>	<b>-7.04</b>
<i>Share in total sales</i>	<i>-0.5%</i>	<i>-1.6%</i>
EBIT margin	777.2%	243.0%
<b>Total sales</b>	<b>409.54</b>	<b>451.03</b>

Source: Company information, East Value Research GmbH

Name of the subsidiary	Comp Group's stake	9M/20		
		Revenues	EBIT	Net income
Comp S.A. (holding company)	100.0%	PLN 262.8m	PLN 18.4m	PLN 14.2m
Enigma Systemy Ochrony Informacji Sp. z.o.o	100.0%	PLN 66.9m	PLN 2m	PLN -3.9m
ZUK Elzab S.A.	78.4%	PLN 79.7m	PLN 3m	PLN -1.2m
Insoft Sp. z.o.o	52.0%	PLN 5m	PLN 1.5m	PLN 1.3m
Comp Centrum Innowacji Sp. z.o.o	50.1%	PLN 12m	PLN -7.4m	PLN -7.5m
Clou Sp. z.o.o (in liquidation)	43.0%	PLN 1.1m	PLN -0.1m	PLN -0.1m
Polski System Korzysci Sp. z.o.o	100.0%	PLN 0.002m	PLN -0.9m	PLN -0.9m
PayTel S.A.	12.1%	PLN 69.6m	PLN -1.7m	PLN -1.7m

\* Clou, which coordinates the marketing activities of the whole Comp Group, is currently in liquidation

\*\* in 2021E, Comp's share in the electronic payment company PayTel is supposed to go down to 0%. After the completion of a recent capital increase of PLN 6.5m, Comp's share currently equals 10.75%

Source: Company information, East Value Research GmbH

in PLNm	9M/20	9M/19	change y-o-y
<b>Net sales</b>	<b>409.54</b>	<b>451.03</b>	-9.2%
<b>EBITDA</b>	<b>48.49</b>	<b>66.19</b>	-26.7%
<i>EBITDA margin</i>	<i>11.8%</i>	<i>14.7%</i>	
<b>EBIT</b>	<b>16.45</b>	<b>38.29</b>	-57.0%
<i>EBIT margin</i>	<i>4.0%</i>	<i>8.5%</i>	
<b>Net income (after min. but excl. disc. operat.)</b>	<b>6.82</b>	<b>20.95</b>	-67.5%
<i>Net margin</i>	<i>1.7%</i>	<i>4.6%</i>	
<b>Net income (after min. &amp; disc. operat.)</b>	<b>5.89</b>	<b>10.69</b>	-44.9%
<i>Net margin</i>	<i>1.4%</i>	<i>2.4%</i>	

Source: Company information, East Value Research GmbH

Between January and September 2020, Comp's EBIT declined from PLN 38.3m in 9M/19 to PLN 16.5m and net income after minorities and discontinued operations from PLN 10.7m to PLN 5.9m. Apart from lower sales, this resulted especially from a higher share of CoGS (70% vs. 67.1% in 9M/19), depreciation & amortization (7.8% vs. 6.2%) and other operating expenses (2.5% vs. 0.7%). At the end of September 2020, Comp had 1,198 employees (30/09/2019: 1,200), thereof c. 30 abroad.

Despite a better net financial result (PLN -5.1m vs. PLN -9.9m), net income (after minorities) declined by 67.5% y-o-y to PLN 6.8m, which resulted from a much higher effective tax rate (54.2% vs. 26.6% in 9M/19) and minorities (PLN -1.6m vs. PLN -134k).

The result from discontinued operations (PLN -928k vs. PLN -10.3m in 9M/19) reflected the 12.1% shareholding PayTel S.A. (will be completely sold by 2021E) and the electric car rental business of 100% subsidiary Enigma Systemy Ochrony Informacji (SOI) Sp. z.o.o. in Wroclaw that had been discontinued.

**Balance sheet and Cash flow**

At the end of September 2020, Comp had equity (excl. minority interests) of PLN 502.3m, which corresponds to an equity ratio of 52.6%. While fixed and intangible assets amounted to PLN 68.8m (9M/19: PLN 90.7m) and PLN 189.1m (PLN 177.9m) respectively, we estimate that working capital was worth PLN 201.2m (PLN 222.8m). As of 30 September 2020, Comp had cash of PLN 47.4m and interest-bearing debt (bank loans, leasing, bonds) of PLN 278.7m (thereof: PLN 200.1m or 71.8% short term).

Between January and September 2020, Comp generated an operating cash flow of PLN 13.7m compared to PLN -40.9m in 9M/19. The reason, why it improved despite a lower net profit, was a significantly lower working capital y-o-y. Cash flow from investing equaled PLN -20.6m (9M/19: PLN -17.4m), while cash flow from financing amounted to PLN 1.2m (PLN 31.4m) as the company repaid much more bank debt and bonds than last year. Between January and September 2020, Comp's cash position decreased by PLN 5.7m to PLN 47.4m.

## Financial forecasts

### Revenues and Profitability

We have based our revenue model of Comp on the segments "IT", "Retail", "M/Platform" and "Others". The IT segment reflects Comp's IT security business with public institutions and large corporate clients from various industries. In our forecasts for the Retail segment, which sums up Comp's operations in the area of fiscal equipment, we have excluded the new project M/Platform in order to better reflect the growth potential of this digital services platform. The segment Others reflects sales and costs, which cannot be assigned to the above-mentioned segments, costs of the holding and internal transactions between segments.

*Retail segment (excl. M/Platform):* Together with its listed subsidiary Elzab, Comp is market leader in Poland and Hungary when it comes to fiscal equipment (e.g. cash registers). Despite the introduction of another lockdown in Poland, in Q4 2020 and 2021E the company likely benefitted/will benefit from regulations in Poland, which contain an obligation to exchange traditional cash registers with non-manipulable online registers by mid-2021E at the latest (hotels, restaurants, coal distributors have to do it by January 2021; hairdressers, beauty salons, construction companies, lawyers, health facilities and fitness centers by July 2021E).

While in 2016-2019 the segment grew at a CAGR of 14.4%, for the coming years we have conservatively assumed a revenue CAGR of 0.2%, whereby in 2020 we expect that sales declined by 9.6% y-o-y to PLN 351.6m due to the coronavirus-related lockdown and in 2021E will increase by 29.7% y-o-y to PLN 456m. With regard to the EBIT margin, we expect that in 2020 it was worse than last year due to a weak Q2/20 (11.1% vs. 14.1%), but will grow to 13-14% in the long run.

*M/Platform:* M/Platform is Comp's new digital services platform powered by modular cloud-based data mining software integrated directly with fiscal devices (cash registers), which was developed together with strategic partner Heineken. It connects traditional retailers with FMCG producers and helps them to better manage working capital, promotions and loyalty programs and thus to increase profitability. Since its market introduction in 2019, Comp has already gained >12,000 shops (PLN >18bn of yearly sales), covering all regions and all types of municipalities, from big cities to small villages, and 16 FMCG producers as clients e.g. Unilever, Nestle, PepsiCo, Danone Waters.

In our opinion, reaching the critical mass of 20,000 shops, which we expect in 2021E, will allow many FMCG producers to choose M/Platform as their standard tool for trade promotions settlement and shift their trade promotion budgets currently settled through traditional methods to Comp's platform.

We have assumed that M/Platform will only generate revenues from FMCG producers and these sales will be based on the transaction volume (promotional sales volume from retailers financed by FMCG producers through the platform's settlement system). With an average transaction fee of 1.5%, we have estimated that the volume will increase from PLN 350m in 2020 to PLN 6bn by 2023E (35,000 shops) and PLN 20bn (40,000 shops) by 2029E (CAGR 2020E-2028E of 56.8%).

We believe that our approach is conservative as (1) there are in total >86,000 small and medium-sized shops in Poland, and (2) the introduction of M/Platform in other countries e.g. in South-Eastern Europe, Africa or Asia can be done very quickly with the support of strategic partner Heineken.

Regarding EBIT margin of the new product, we have forecast that it equaled 12% in 2020 and will reach 23-25% in the long run.

*IT segment:* Comp is also Polish market leader in the area of IT security, whereby the company sells own and third-party solutions and devices. Its clients are large corporates or public institutions e.g. the Ministry of Defense, which usually require security certificates. In the last three years, the revenue CAGR of this segment equaled 6.2% and the EBIT margin between 4.5% and 7.8%.

Despite a relatively weak 9M/20 y-o-y due to the coronavirus pandemic, which led to postponement of many public tenders and planned investments, we have assumed that revenues in 2020 only declined by 1% y-o-y and reached PLN 350m. The reason is a likely cumulation of several public projects in Q4/20 and a new contract, which was signed in November 2020 with the Polish Ministry of Finance for the delivery of servers and network devices worth max. PLN 86.8m (delivery in Q4/20, integration is supposed to be conducted in H1/21E). The contract relates to the construction of a payment system for vehicles above 3.5 tonnes on Polish motorways A2 and A4 and selected other routes.

In 2021E, the segment's results should recover both in terms of sales (+7.5% to PLN 376.2m) and EBIT margin (5% vs. 4.7% in 2020E). In the long run, we expect a sales CAGR of 2.8% and EBIT margins of 4-6%.

in PLNm	2020E	2021E	2022E	2023E
<b>Segment Retail (excl. M/Platform)</b>	<b>351.60</b>	<b>456.00</b>	<b>384.72</b>	<b>386.52</b>
<i>Share in total sales</i>	49.9%	53.8%	46.5%	43.6%
EBIT margin	11.1%	14.5%	14.3%	14.1%
Number of fiscal equipment sold	162,000	220,000	180,400	181,400
Average price (PLN)	1,800	1,800	1,800	1,800
Service & maintenance (PLNk)	60,000	60,000	60,000	60,000
<b>M/Platform</b>	<b>5.25</b>	<b>19.05</b>	<b>45.00</b>	<b>90.00</b>
<i>Share in total sales</i>	0.7%	2.2%	5.4%	10.2%
EBIT margin	12.0%	15.0%	22.5%	25.0%
Number of shops	12,000	20,000	25,000	35,000
Number of FMCG producers	16	28	40	50
Transaction volume (PLNk)	350,000	1,270,000	3,000,000	6,000,000
% fee	1.5%	1.5%	1.5%	1.5%
<b>Segment IT</b>	<b>349.96</b>	<b>376.21</b>	<b>400.66</b>	<b>412.68</b>
<i>Share in total sales</i>	49.7%	44.4%	48.4%	46.6%
EBIT margin	4.7%	5.0%	5.9%	5.8%
<b>Others</b>	<b>-2.80</b>	<b>-3.00</b>	<b>-3.20</b>	<b>-3.40</b>
<b>Total sales</b>	<b>704.01</b>	<b>848.26</b>	<b>827.18</b>	<b>885.80</b>
change y-o-y	-4.2%	20.5%	-2.5%	7.1%

Source: East Value Research GmbH

in PLNm	2020E	2021E	2022E	2023E
<b>Net sales</b>	<b>704.01</b>	<b>848.26</b>	<b>827.18</b>	<b>885.80</b>
<b>EBITDA</b>	<b>74.25</b>	<b>109.51</b>	<b>112.00</b>	<b>125.70</b>
<i>EBITDA margin</i>	10.5%	12.9%	13.5%	14.2%
<b>EBIT</b>	<b>32.25</b>	<b>65.41</b>	<b>67.85</b>	<b>81.51</b>
<i>EBIT margin</i>	4.6%	7.7%	8.2%	9.2%
<b>Net income (after min. but excl. disc. operat.)</b>	<b>19.35</b>	<b>46.88</b>	<b>49.50</b>	<b>61.19</b>
<i>Net margin</i>	2.7%	5.5%	6.0%	6.9%
<b>Net income (after minorities and disc. operat.)</b>	<b>17.35</b>	<b>46.88</b>	<b>49.50</b>	<b>61.19</b>
<i>Net margin</i>	2.5%	5.5%	6.0%	6.9%

Source: East Value Research GmbH

in PLNm	Q1/18	Q2/18	Q3/18	Q4/18	2018	Q1/19	Q2/19	Q3/19	Q4/19	2019
<b>Net sales</b>	<b>119.85</b>	<b>158.41</b>	<b>153.01</b>	<b>246.65</b>	<b>677.92</b>	<b>120.33</b>	<b>147.13</b>	<b>183.57</b>	<b>283.74</b>	<b>734.77</b>
<i>change y-o-y</i>	-11.9%	37.3%	44.5%	34.2%	25.3%	0.4%	-7.1%	20.0%	15.0%	8.4%
<b>EBITDA</b>	<b>13.05</b>	<b>29.40</b>	<b>17.07</b>	<b>12.29</b>	<b>71.81</b>	<b>14.45</b>	<b>25.38</b>	<b>26.36</b>	<b>21.51</b>	<b>87.70</b>
<i>EBITDA margin</i>	10.9%	18.6%	11.2%	5.0%	10.6%	12.0%	17.3%	14.4%	7.6%	11.9%
<b>EBIT</b>	<b>5.49</b>	<b>21.37</b>	<b>10.24</b>	<b>5.27</b>	<b>42.37</b>	<b>6.00</b>	<b>15.85</b>	<b>16.44</b>	<b>10.85</b>	<b>49.14</b>
<i>EBIT margin</i>	4.6%	13.5%	6.7%	2.1%	6.2%	5.0%	10.8%	9.0%	3.8%	6.7%
<b>Net income</b>	<b>1.19</b>	<b>52.86</b>	<b>3.49</b>	<b>-0.72</b>	<b>56.83</b>	<b>0.49</b>	<b>2.09</b>	<b>8.12</b>	<b>7.90</b>	<b>18.59</b>
<i>Net margin</i>	1.0%	33.4%	2.3%	-0.3%	8.4%	0.4%	1.4%	4.4%	2.8%	2.5%

in PLNm	Q1/20	Q2/20	Q3/20	Q4/20E	2020E
<b>Net sales</b>	<b>141.28</b>	<b>111.61</b>	<b>156.65</b>	<b>294.47</b>	<b>704.01</b>
<i>change y-o-y</i>	17.4%	-24.1%	-14.7%	3.8%	-4.2%
<b>EBITDA</b>	<b>23.83</b>	<b>4.18</b>	<b>20.48</b>	<b>25.76</b>	<b>74.25</b>
<i>EBITDA margin</i>	16.9%	3.7%	13.1%	8.7%	10.5%
<b>EBIT</b>	<b>13.41</b>	<b>-6.21</b>	<b>9.24</b>	<b>15.80</b>	<b>32.25</b>
<i>EBIT margin</i>	9.5%	-5.6%	5.9%	5.4%	4.6%
<b>Net income</b>	<b>4.26</b>	<b>-3.70</b>	<b>5.33</b>	<b>11.47</b>	<b>17.35</b>
<i>Net margin</i>	3.0%	-3.3%	3.4%	3.9%	2.5%

Source: Company information, East Value Research GmbH

Comp's results are seasonal, with H2 usually being far better than H1 and Q4 being the best quarter of the year (in 2018-2019, the company generated c. 37% of its yearly sales between October and December). While the anti-COVID-19 measures limited the activity of clients especially from the HoReCa segment (hotels, restaurants, catering) in 2020, there is one factor, which should have spurred the results of the Retail segment: All Polish hotels, restaurants and coal distributors have been obliged by the government to install modern online cash registers, which can transfer data in real-time, by January 2021. In the IT segment, Q4/20 results should be similar to last year due to a cumulation of public projects in Oct-Dec.

### **CAPEX and Working capital**

We have assumed that Comp's gross CAPEX will only relate to intangible assets, thus especially own software e.g. the new product M/Platform. For fixed assets, we have assumed that yearly CAPEX will equal depreciation expenses. In our view, the company's total gross CAPEX in 2020-2022E will amount to PLN 110.2m and in the long run equal c. 4% of its yearly sales.

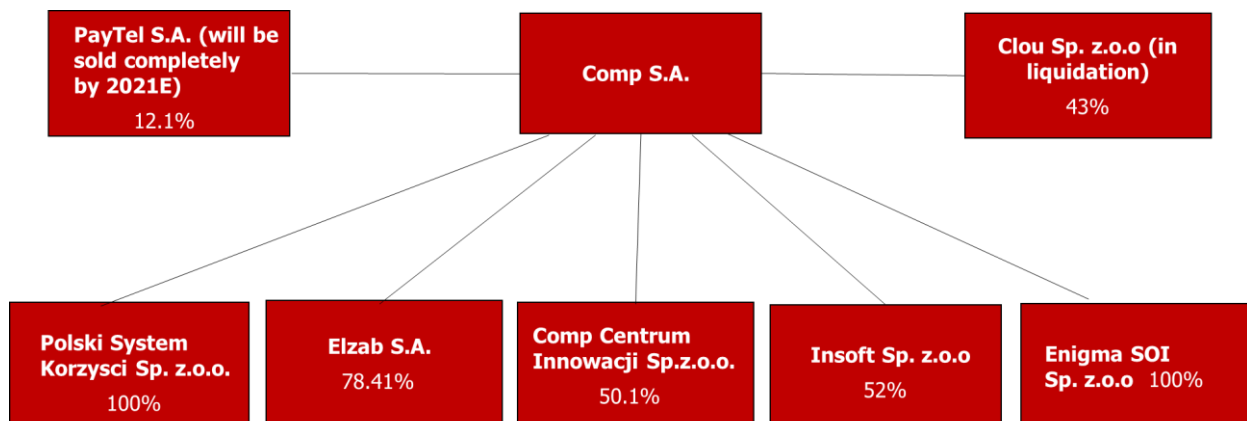
As a producer of own devices (especially fiscal equipment), Comp has relatively high working capital. In 2019, the working capital to sales ratio equaled 27.1%. Due to improved working capital management we believe that this ratio will go down to <20% in the long run. Regarding the cash conversion cycle, we expect that it will decline from 96 days in 2019 to c. 60 days in the future, especially as the M/Platform, for which clients pay instantly, will become an important revenue source for Comp.



## Business description

Comp S.A., which is based in Warsaw, is a producer and distributor of integrated IT systems and devices for public administration (incl. armed forces) and various sectors e.g. Telco, Transport, Energy, Industry, Banking/Finance/Insurance and Retail. The company is the No 1 provider of IT network security solutions and producer of fiscal equipment in Poland. Apart from its domestic market, the company is also active in Hungary, Greece, Africa and Asia, but foreign markets only make up c. 14% of its yearly sales. A new business area is M/Platform, a digital service platform powered by modular cloud-based data mining software integrated directly with fiscal devices (cash registers) for traditional retailers that connects the shop owner to FMCG producers via the cash register. The company distributes its products and solutions directly and through a Poland-wide network of >1,200 authorized distribution partners. Comp has been listed in the Main Market of the Warsaw Stock Exchange since 2005 and has >1,100 employees. The company spends c. 3% of its yearly sales on R&D.

## Company structure



Source: Company information, East Value Research GmbH

## Company history

1990: Foundation of Comp Ltd. Sp. z.o.o by Mr Jacek Papaj, its long-term CEO. Currently, Mr Papaj is Member of Comp's Supervisory Board.

In the first years of operation, Comp is mainly active as a distributor of equipment and software of leading global IT companies e.g. Sun Microsystems, Dell Computer.

The company installs the first supercomputers in Poland and first SPARC RISC servers.

1993: Comp opens an office in Rzeszow, which in 1995 became a separate company, Comp Rzeszow S.A., the predecessor of Asseco Poland S.A., which is today the 6<sup>th</sup> largest software company in Europe. Comp Rzeszow focuses on the development and integration of software for banks.

1997: Transformation to a joint-stock company.

1998: Investment by the Polish Enterprise Fund (managed by the well-known PE/VC firm Enterprise Investors). The capital that is invested by PEF gives the fund a 50.9% stake in Comp and is used for financing acquisitions, new projects and working capital.

1999: The Comp Group comprises five companies that operate in complementary IT segments and employ more than 300 people.

First own IT security products include e.g. the cryptographic device CompCrypt, which today is used in public administration, armed forces, police, banks and Telco companies.

2004: Comp buys back the shares of PEF in exchange for 150,000 shares of Comp Rzeszow S.A.

2005: IPO of Comp, which is accompanied by a capital increase worth PLN 24m (IPO price of PLN 54).

Acquisition of 100% in the IT security company Enigma Systemy Ochrony Informacji Sp. z.o.o for PLN 6m.

2006: Acquisition of 25% of the leading Polish producer of cash registers Novitus S.A. through a tender offer (1.16m shares at PLN 15.30 per share). Through another tender offer at PLN 16.40 per share, Comp increases its stake to 46%.

2007: Prokom Software, back then one of the three largest Polish IT companies and Comp's co-operation partner in the area of IT security, buys c. 8% of the company in a capital increase at PLN 80 per share.

Merger of Comp and Computer Service Support S.A.

2009: As the leader of the consortium, Comp signs a long-term contract with the Polish Ministry of Justice for the development and implementation of the System for Electronic Monitoring of Prisoners. The value of the contract, which is the largest in the company's history, amounts to PLN 225.7m.

2010: Comp acquires 332,252 own shares (7% of the total).

2011: Comp increases its stake in Novitus from 47.8% to 50.7% and finally merges with the company by issuing new shares to its previous shareholders, who receive 1 share of Comp for 2.37 shares of Novitus (total value of the transaction: PLN 75.6m).

Acquisition of 66.6% of another listed producer of cash registers, Zabrze-based Elzab S.A. for PLN 34m. The shares are acquired by the subsidiary Novitus from Polish chemical company Ciech (PLN 2.98 per share) and through a tender offer (PLN 3.40 per share). Today, Elzab is still listed on the Warsaw Stock Exchange and currently has a market capitalisation of PLN 92.8m.

2012: After a tender offer, Comp increases its stake in Elzab S.A. to 83.9%.

2017: Creation of a Special Purpose Vehicle (SPV) under the name CE Management Group Sp. z o.o. by seven people (thereof: six from Comp's Management and Supervisory Board) for the acquisition of 1% to 9.99% shares of Comp S.A. The purchase of shares is supposed to be financed by equity of its shareholders or debt.

2018: Comp has to write off PLN 6m due to the bankruptcy of Malopolska Siec Szerokopasmowa Sp. z o.o, its previous client, of which it acquired bonds worth PLN 10m. Another write-off of PLN 3.1m relates to shares of Hyperion S.A., the owner of MSS.

Comp becomes the majority (51%) shareholder of Comp Nowoczesne Rozwiazania Sprzedazowe S.A. (now: Comp Platforma Uslug S.A.), in which Zywiec Investment Holding Sp. z o.o., the Polish subsidiary of Heineken, buys a minority stake. The objective of the JV is providing promotions for FMCG in traditional retail stores by the respective producers (e.g. Heineken and No 1 Polish producer of food and beverages Maspex) including reports on the effectiveness of such campaigns. The service' name is M/Promo+, which is a module of the cloud-based digital services platform M/Platform.

2019: Sale agreement with Portugese group SIBS – SGPS S.A. relating to 100% of subsidiary PayTel S.A., which offers electronic payment terminals. Based on results in 2018-2020, the maximum price for PayTel is set at PLN 200m. In 2019, Comp sold 55% in the subsidiary for PLN 33.5m, with the remaining 45% to be sold by 2021E in three tranches. In H1/20, the company received PLN 3.5m and reduced its stake from 24.2% to 12.1% (after a recent capital increase, it now equals 10.75%). In total, Comp has invested in PayTel PLN 30m since the start-up's foundation in 2017.

Start of commercialisation of M/Platform in Q2 2019 after a pilot with 200 Polish retailers in 2018. We estimate the total development costs of this modular digital services platform at PLN 40m-PLN 50m.

2020: Launch of several additional modules of M/Platform. M/Store, online B2B marketplace for co-operation of FMCG wholesalers and traditional retailers, starts pilot tests in March and a countrywide rollout in November. In April, the e-Mka mobile app for Android and iOS is launched offering an interactive map of M/Platform shops, and M/Promo+ promotion finder, which is a shopping list and "click & collect" module. In November, pilot tests of M/Loyalty start (shopper loyalty and cashback program, based on the app's new e-receipts module). In December, M/Analytics service is launched, which uses data collected by M/Platform to provide market research and retail analytics similar to NielsenIQ.

### Overview over results of Comp's subsidiaries in 2019

Name of the subsidiary	Comp Group's stake	2019		
		Revenues	EBIT	Net income
Comp S.A. (holding company)	100.0%	PLN 520.1m	PLN 33.1m	PLN 17m
Enigma Systemy Ochrony Informacji Sp. z.o	100.0%	PLN 120.5m	PLN 5.8m	PLN 1.6m
ZUK Elzab S.A.	78.4%	PLN 125.2m	PLN 9m	PLN -0.6m
Insoft Sp. z.o.o	52.0%	PLN 6.5m	PLN 1.2m	PLN 0.9m
Comp Centrum Innowacji Sp. z.o.o	50.1%	PLN 18.7m	PLN -1m	PLN -3.2m
Clou Sp. z.o.o*	43.0%	PLN 3.3m	PLN 0.03m	PLN 0.02m
PayTel S.A.**	24.2%	PLN 81.6m	PLN 2.4m	PLN 0.2m

\* Clou, which coordinates the marketing activities of the whole Comp Group, is currently in liquidation

\*\* by 2021E, Comp's share in the electronic payment company PayTel is supposed to go down to 0%

Source: Company information, East Value Research GmbH

Below is a detailed description of Comp's business segments:

### **Retail segment**

This area, which in 2019 accounted for 52.9% of the company's total sales at an EBIT margin of 14.1%, sums up the results of Comp's Center for Distribution Technology and Center for Maintenance Services in Nowy Sacz, the subsidiaries ZUK Elzab S.A. in Zabrze as well as Warsaw-based Polski System Korzysci Sp. z.o.o (development and commercialisation of IT solutions for consumers based on communication with device) and Insoft Sp. z o.o. (production and integration of software supporting the activity of the Retail sector e.g. CRM systems that are complementary to Comp's devices).

Under the brands Novitus and Elzab, Comp is the leader on the Polish market for fiscal equipment with an estimated market share of 49%. Moreover, according to management it is also market leader in Hungary (market share of 43%), where it operates through Micra Metripond KFT, a 92.18% direct subsidiary of Comp Centrum Innowacji Sp. z.o.o that mainly distributes Comp's fiscal equipment. Clients in Greece and Asia & Africa are served through Elzab Hellas SPV Sp. z.o.o (67%-owned by Comp's direct subsidiary Elzab S.A.) and JNJ Limited (100%-owned by Comp Centrum Innowacji Sp. z.o.o) respectively.

In this segment, Comp's product portfolio comprises a wide range of cash registers, fiscal printers, barcode scanners, data terminals, electronic weighting scales, Point-of-Sale systems and software, which the company targets at large, medium and small stationary retailers. In Poland alone, it has sold c. 880,000 cash registers in the last years (the total market size is estimated at 1.8m registers). According to management, its clients are very loyal and Comp's brands have a strong brand recognition, meaning that after 5-7 years almost all clients replace their devices with the company's products. Of course, Comp also provides maintenance services for its devices, which it manufactures in its own production facilities in Nowy Sacz and Zabrze (in southern Poland). In 2020 and 2021E, the main growth driver of this segment were/will likely be new legal regulations in Poland, whose objective is to prevent money laundering and/or other illegal practices.

Retailers are supposed to ensure that their cash register sends data to a new government online system called CRK on a continuous basis. In 2019, the Polish government introduced a time schedule for sectors with the highest potential for fraud. Until a certain deadline, they have to update their cash registers to a version, which is able to send data in real-time. Also, from 2023E all new fiscal equipment in Poland is supposed to have this online function.

**Deadlines for replacing old cash registers in Poland**

	Year-end 2019	Year-end 2020	July 2021
Distributors of fuel, companies from the Automotive sector	X		
Hotels, Restaurants, Caterers, Food retailers, Short-term rentals, coal distributors		X	
Hairdressers, beauty salons, doctors, dentists, lawyers and fitness-related providers			X

Source: poradnikprzedsiębiorcy.pl, East Value Research GmbH

In the long run, we believe that there could be additional demand for Comp's fiscal equipment stemming from plans of the Polish government to introduce virtual cash registers and e-receipts. A virtual cash register consists of a software that can be installed e.g. on a smartphone or tablet. It could be complemented by e-receipts, which make traditional paper receipts redundant. While virtual cash registers would be an alternative to online cash registers, their introduction depends on customer preferences and the availability of fast and uninterrupted internet access. The main risk, which we see, is that they could be manipulated and thus lead to VAT losses. Comp is the first-mover in Poland, when it comes to virtual cash registers.

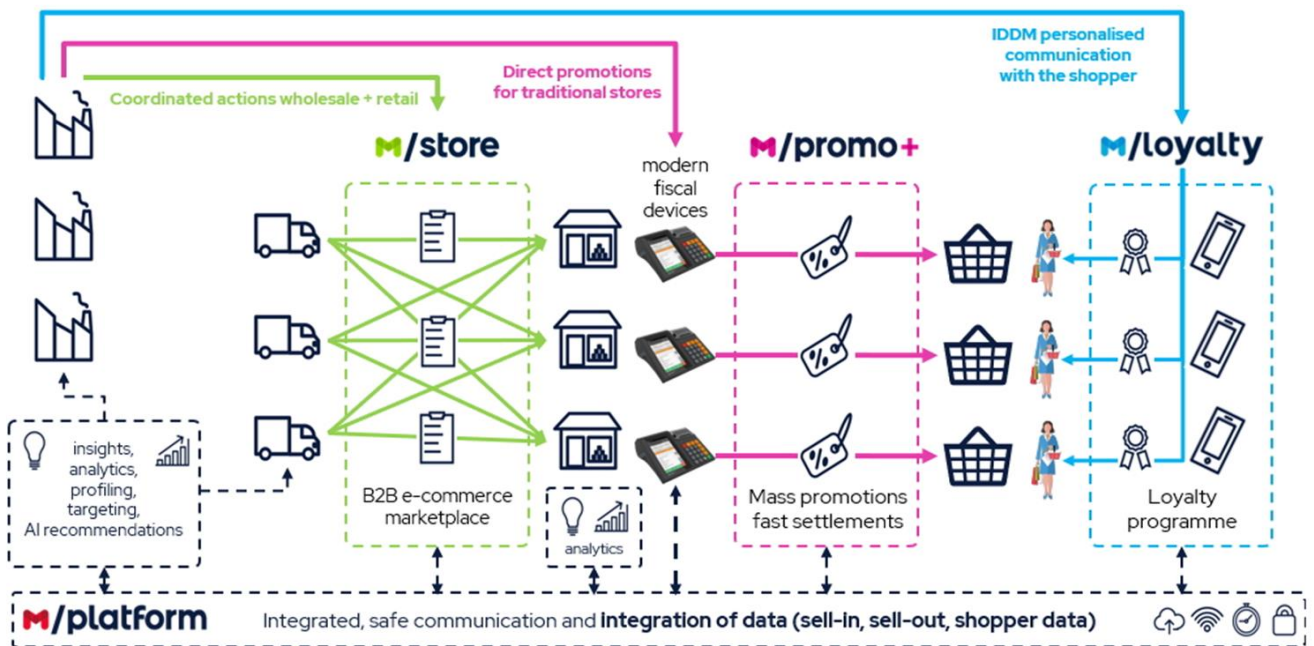
In general, Comp follows a similar strategy to German Vectron Systems, which is market leader in the DACH region with a c. 25% share in the segment of bakeries and restaurants. Vectron is about to digitalize its business model through the establishment of a SaaS platform that is integrated with its devices and is supposed to boost the company's recurring revenues. While new cash registers are given to clients (almost) free-of-charge, Vectron's focus is on monetisation of data that is collected by these devices e.g. through the co-operation with FMCG producers (e.g. Coca-Cola), food delivery services, providers of payment solutions (e.g. e-pay) or popular cashback systems (e.g. DeutschlandCard).

**M/Platform**

M/Platform is a digital services platform powered by Comp's proprietary online modular data mining software, which connects smaller traditional retailers and FMCG producers via the cash register (also works together with third-party fiscal equipment). While retailers gain similar access to promotions from producers as their large competitors, which positively impacts their average basket values & profits, Comp's cloud-based platform allows producers to gain new clients, increase their brand recognition and receive accurate sales data of their products in particular stores that can be compared to geographically-aggregated market data and thus increase the accuracy and effectiveness of promotional activities.

The M/Platform has been commercialised since Q2 2019 through Comp Nowoczesne Usługi Sprzedawcze Sp. z.o.o (now: Comp Platforma Usług S.A., part of subsidiary Comp Centrum Innowacji Sp. z.o.o., which is Comp Group's R&D center), in which Comp has 51% of the shares and the Polish subsidiary of the global beer producer Heineken Group, Zywiec S.A., 49%. So far, the online platform has gained >12,000 shop owners (31/12/2019: 5,000), which account for PLN >18bn yearly sales (c. 35% of the yearly turnover of smaller shops in Poland), and 16 FMCG producers as clients (e.g. Heineken Group, Maspex, Danone Waters, Nestle, Unilever, Stock Spirits Group, Coca-Cola, PepsiCo, Tchibo).

### How does the M/Platform work?



Source: Company information, East Value Research GmbH

The modules of M/Platform, which are currently available, are M/Promo+ (a tool that allows the small retailers to offer to their customers the same kind of promotions as large retail chains thanks to direct financing of these promotions by FMCG producers through an automated settlement system with anti-fraud mechanisms based on data from fiscal devices), M/Store (an online marketplace purchasing platform, which allows traditional shops to search products and order them from multiple wholesalers), e-Mka (a mobile app that allows retailers and producers to communicate with shoppers, using individual data-driven targeting), M/Loyalty (shopper loyalty system for smaller traditional retailers) and M/Analytics (market research and retail analytics service similar to NielsenIQ).

The product is sold through c. 1,200 authorised distribution partners Poland-wide, but Comp's management do not exclude that in the coming years it will also be available abroad (its strategic partner Heineken, which is the world's 2<sup>nd</sup> largest brewer, could be very helpful in this regard in our view). The company is being remunerated based on a percentage fee (c. 1.5% on average) of the transaction volume, which is processed by its digital platform. By 2021E, management plan to acquire c. 20,000 shops and by 2023E 35,000.



In Poland, there are currently two solutions on the market, which have partial similarities to M/Platform. They have been developed by the companies Eurocash (a WSE-listed FMCG wholesaler, franchise chain operator & retail chain owner) and Zabka (operator of a franchise chain of small convenience stores) for internal use. Eurocash offers two solutions similar to M/Platform, which include Eurocash.pl (purchasing portal used by 14,600 shops, similar to M/Store but processing orders only for one distributor, Eurocash itself, as opposed to M/Store's multi-vendor marketplace model); and Eurocash POS (similar to M/Promo+ but offered only to Eurocash franchisees and used by <500 shops, as opposed to M/Promo+ that is available to all traditional shops). Zabka offers one solution similar to M/Platform's e-Mka, which is the Zappka mobile app (in contrast to e-MKA, it is only offered to Zabka franchisees; it includes a loyalty program, click & collect and mobile payments and is used by 6970 shops and >3 million shoppers)

Solution	Description	Number of customers	Transaction volume
Eurocash Online	Eurocash's software connects independent retailers with the wholesaler Eurocash. For individual customers, it offers the possibility to check the latest promotions, shops that co-operate with Eurocash nearby and loyalty program.	14,600 shops (only in Poland)	PLN 2.1bn of sales in the last 2 years
Zabka	Zappka mobile app that connects Zabka's franchise shops with shoppers. For individual consumers, it offers the possibility to check customised promotions, collect loyalty points and make contactless mobile payments.	6,970 shops (only in Poland), >3m Polish shoppers	PLN 10.1bn in 2019

Source: Eurocash, Zabka, Lista 500, East Value Research GmbH

## IT segment

This area, which in 2019 accounted for 48.1% of Comp's total revenues and generated an EBIT margin of 5.4%, comprises the results of the company's headquarter in Warsaw (Department of Network Systems, Cybersecurity and System Solutions) as well as the subsidiary Enigma Systemy Ochrony Informacji Sp. z.o.o.

The Comp Group offers IT and network systems that combine own products with hard- and software of third-party providers. Its partners, with whom it has mostly worked together for >20 years, include well-known companies such as Cisco, Check Point, HP, IBM, Juniper, McAfee, Symantec and Adva Optical Networking.

Through its subsidiary Enigma SOI, Comp provides specialised services relating to IT security including electronic and cryptographic devices, software (e.g. for coding emails, electronic signature and digital archiving of documents), analysis and consulting. The subsidiary's clients come from the sectors Public Administration (e.g. Polish Ministry of Justice, the social security ZUS, Civil Aviation Authority, Polish Ministry of Defence), Telecommunication (e.g. Orange Poland), Energy (Orlen Group), Transport (Polish Railways PKP) and Banking (PKO and ING banks).



Examples of realised projects include systems for identity management and coordination of crisis management as well as electronic surveillance of prisoners with a sentence of <1.5 years (so far, largest contract in Comp's history with a value of PLN 265m by 2022E). The System for Electronic Surveillance of Prisoners (SDE) has been planned and built by Comp using own solutions and third-party components.

## **Management**

*Robert Tomaszewski (CEO):* Before becoming Comp's CEO, Mr Robert Tomaszewski had been Member of the company's Supervisory Board from 2000 and its Head from 2004. In 2004-2017, he was also Member of the Supervisory Board of the company's subsidiaries Safe Computing Sp. z.o.o. and PayTel S.A. Between 2007 and 2011, Mr Tomaszewski was Member of the Management Board of Novitus S.A. and from 2011 of Elzab S.A. Earlier, he was among others Director of the Polish Press Agency's Business department and Advisor to its Management Board as well as stock broker at BRE Bank S.A., which is owned by German Commerzbank. Mr Robert Tomaszewski graduated from the Warsaw School of Economics. He also completed postgraduate studies among others at the Harvard Business School and London Business School.

*Andrzej Wawer (Chief Financial Officer):* Mr Andrzej Wawer has been Member of Comp's Management Board since 2009. Since 2001, he has also been Member of the Supervisory Board of the company's subsidiary Elzab S.A. Between 2012 and 2018, Mr Wawer was Member of the Supervisory Board of PayTel S.A. and in 2010-2014 also of Safe Technologies S.A., Safe Computing Sp. z.o.o and Cryptotech Sp. z.o.o. Before 2003, he was among others Director of the Investment Department of Invest Bank S.A. and CFO of the logistics firm Pekaes S.A. Mr Andrzej Wawer graduated with an Engineer's degree from the Department of Automobiles and Machines of the Technical University in Warsaw. He also completed PhD studies in Management at the University of Warsaw and an MBA at the French Institute of Management in Warsaw. Mr Wawer is a licensed broker and passed the exam for candidates for Supervisory Boards of state-owned companies.

*Krzysztof Morawski (Vice President of the Board):* Mr Krzysztof Morawski has been Vice President of Comp's Management Board since 2008. In 2007, he became Vice Chairman of the Supervisory Board of Enigma SOI Sp. z.o.o. Since 2014, he has also been Member of the Supervisory Board of Elzab S.A. At Comp, he has been working since 1996 first as a Systems Engineer, then as a Project Leader and Commercial Director. Between 1991 and 1996, he worked in the IT department of the Polish Interior Ministry. Mr Krzysztof Morawski graduated with a degree in Electrical Engineering from the Technical University in Warsaw.

*Jaroslaw Wilk (Member of the Board):* Mr Jaroslaw Wilk, who has 20 years of experience in the Polish market for fiscal equipment (thereof: 11 years at Comp), has been Vice President of Comp's Management Board since 2016. In addition, he has been Member of the Supervisory Board of the subsidiary Insoft Sp. z.o.o since 2007 (with a break between 2011 and 2014). Between 2012 and 2014, he was Director of Sales & Marketing at Elzab S.A. and between 2005 and 2011 Director of Sales & Marketing at Novitus S.A. Before, he worked at Optimus IC among others as Product Manager and Director of Sales & Marketing. Mr Jaroslaw Wilk graduated with a Master's degree in Management & Marketing from the Technical University of Silesia.

*Jacek Papaj (Member of the Supervisory Board):* Mr Jacek Papaj is founder of Comp and its previous General Director and CEO (1991-2017). He is also Head of the Supervisory Board of Elzab S.A. and Enigma SOI Sp. z.o.o as well as Member of the Supervisory Board of PayTel S.A. and Insoft Sp. z.o.o. Mr Jacek Papaj graduated with an Engineer's degree in Electronics from the Technical University in Warsaw.

## Market environment

### The Polish IT market

According to Computerworld TOP200, the Polish market for IT & Telecommunication services (ICT) was worth PLN 110.8bn in 2019, which corresponds to a 2.9% growth y-o-y. Thereof, IT services accounted for PLN 68bn (+4.6%) and thus grew at a slightly higher rate than GDP (+4.3% y-o-y). Like every year, the 50 largest IT companies accounted for c. 75% of revenues of the whole sector. The three most important sectors for IT companies in Poland were Banking (-15.2% y-o-y to PLN 3.1bn), Retail (-4.3% to PLN 2.4bn) and Public Administration (-7.4% to PLN 2.1bn).

### Sales of IT solutions to different sectors in Poland

Sector	Total sales in 2019 (in PLNm)	Total sales in 2018 (in PLNm)	change y-o-y
Banking	3,092	3,646	-15.2%
Retail	2,384	2,492	-4.3%
Public Administration	2,130	2,301	-7.4%
Industry & Construction	1,748	1,701	2.8%
IT	1,317	1,316	0.1%
Finance & Insurance	1,261	1,021	23.5%
Healthcare	752	613	22.7%
Energy	711	580	22.6%
Transport & Logistics	492	452	8.8%
Education & Research	311	278	11.8%
Media	248	254	-2.4%
Utilities	234	232	0.8%
Agriculture	205	115	78.3%
Large corporates	12,477	11,228	11.1%
SMEs	2,265	2,065	9.7%

Source: Computerworld TOP200, East Value Research GmbH

While the global IT sector likely declined by 5.1% in 2020 according to IDC, the consultancy forecasts that spending on digital transformation increased by 10.4% y-o-y. As it proved that business processes can be conducted much more effectively and cheaply online, Computerworld reckons that the coronavirus pandemic did more for digitalisation in Poland than all politicians and industry experts taken together. In the long run, continuous investments in ICT are necessary for an innovative economy and effective public administration.

## **The Cybersecurity segment**

According to the latest report of the consultancy PMR, the Polish Cybersecurity market is worth c. PLN 1.5bn, however including sales of mass storage, data center space, backup and archiving solutions its value is close to PLN 6bn. While in 2020 it could have declined by almost 5%, PMR estimates that within the next five years the market could grow by another PLN 1bn.

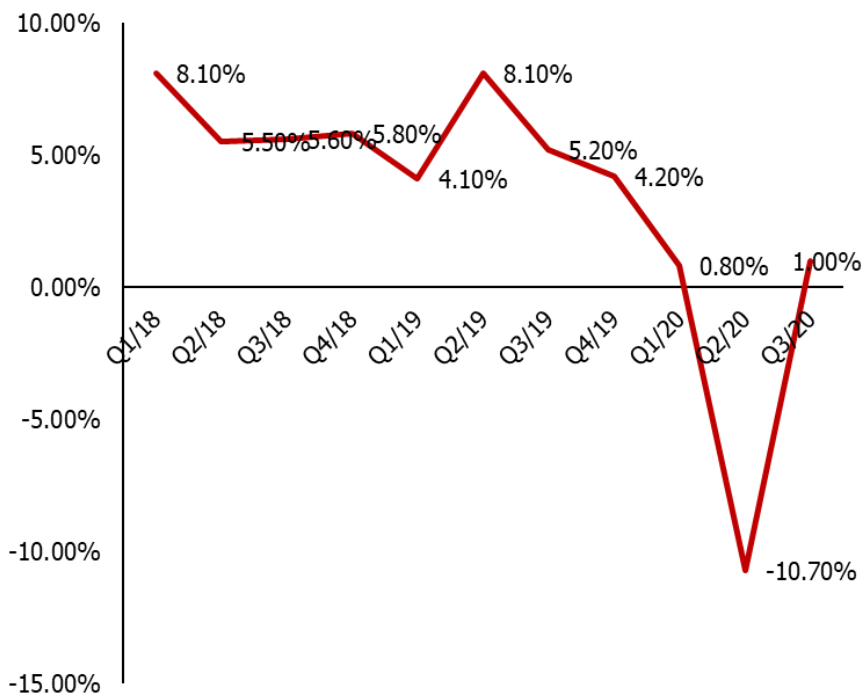
In Poland, the most important group of clients for cybersecurity solutions are the c. 5,000 largest companies. Although many IT projects were postponed in 2020, it is unlikely that the level of spending on cybersecurity will decline in the coming years as 66% of larger Polish companies are still not really prepared for potential cyberattacks e.g. malware or phishing and do not monitor IT security internally. Their weak point seems to be old processes relating to information flows and architecture of IT security systems. In the coming years, the companies will also have to increase their spending on security of mobile devices, of which an increasing number is being used for gaining access to the internet and as a PC-like basic work equipment (PMR estimates that nowadays 50% of online traffic in Poland stems from mobile devices and that this percentage is strongly increasing). A survey, which was conducted by T-Mobile Polska in 2019, revealed that medium and large Polish companies do not have a separate budget for security of employee' smartphones.

## **The Polish retail market**

According to market research firm GfK, the Polish retail sector is currently worth almost PLN 440bn. Thereof, 1/3 (PLN 126bn) stems from shopping centers and 1/10 (PLN 39bn) from E-Commerce. While online shopping is already very popular among 15-34 year olds, more than 70% of 35-64 year olds prefer stationary shops. Most of the 11m online shoppers in Poland (out of a population of 38m) live in the largest cities and have above-average incomes. Moreover, online sales in Poland are clearly driven by the largest and most popular brands (they generate c. 80% of total sales in each category). The shopping ban for larger retail stores on Sundays acts as an additional growth driver.

Despite growing significance of modern retail (hypermarkets, supermarkets, discounters and convenience store chains) the so called "traditional trade" segment (smaller independent retailers, mostly groceries, servicing local customers) remains an important element of the economy, as Polish population is highly dispersed, with 80% of Poles still living in mid-sized towns (>10,000 inhabitants), small cities and villages (Source: GUS)

### Development of quarterly retail sales in Poland Q1/18-Q3/20



Source: Eurocash, East Value Research GmbH

### Share of 5 largest retail groups in the Polish retail market

Retail group	Share in total retail market
Jeronimo Martins (Biedronka)	20.1%
Schwarz Group (Lidl, Kaufland)	12.9%
Eurocash	5.8%
Tesco	5.4%
Auchan	4.2%

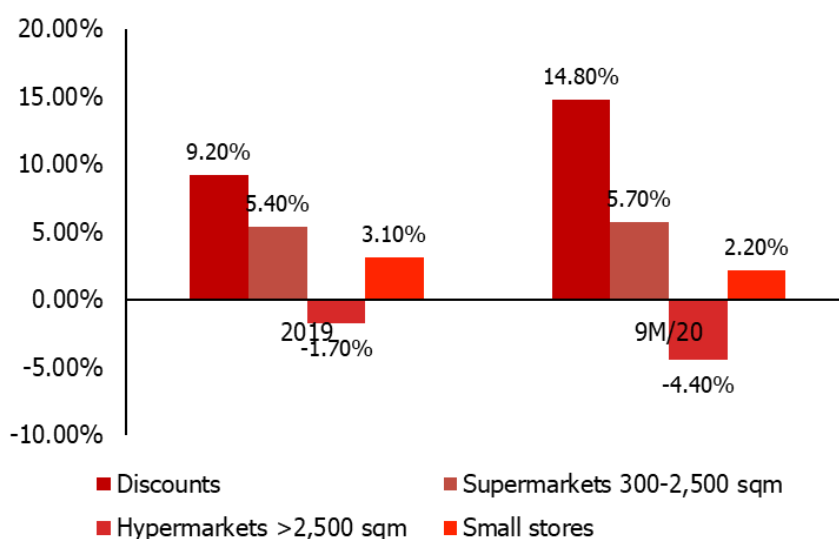
Source: Planet Retail, East Value Research GmbH

**Number of different kinds of stores in Poland 2017-2019**

	2017	2018	2019	2019 vs. 2017
Hypermarkets	346	341	335	-11
Supermarkets ex discounters	3,690	3,964	4,148	458
Total discounters	3,849	4,007	4,140	291
Drugstores	8,045	8,053	8,051	6
Groceries large	7,152	7,011	7,074	-78
Groceries meium	27,265	27,021	25,914	-1,351
Groceries small	35,418	33,221	30,463	-4,955
Kiosks	10,960	10,171	9,137	-1,823
Petrol stations	6,343	6,302	6,360	17
Sweets Alcohol	5,657	5,872	5,678	21
Tobacconists	1,085	988	850	-235
<b>Total</b>	<b>109,810</b>	<b>106,951</b>	<b>102,150</b>	<b>-7,660</b>

Source: Nielsen Universe Update (data from the end of 2019), East Value Research GmbH

When it comes to the Polish retail market, the main growth segments in 2017-2019 were supermarkets and discounters e.g. Biedronka, Lidl, which represent the so called "modern trade" and focus their activity on big cities and larger towns. The reason were growing expectations of Polish consumers relating to the size of product offering and available promotions, which are usually much better in larger retail chains than in traditional shops, as well as a constant push by the top retailers towards further market consolidation. However, there is a new and growing shopping trend of making faster, smaller and more frequent purchases in smaller shops instead of large, infrequent purchases in large shops, which is being further accelerated by the coronavirus pandemic as shoppers try to spend less time in the shop for safety reasons.

**Development of grocery sales y-o-y at different kinds of stores in Poland**

Source: Eurocash, East Value Research GmbH

## Profit and loss statement

in PLNm	2018	2019	2020E	2021E*	2022E	2023E
<b>Revenues</b>	<b>677.92</b>	<b>734.77</b>	<b>704.01</b>	<b>848.26</b>	<b>827.18</b>	<b>885.80</b>
Cost of goods sold	-451.05	-469.37	-462.54	-534.40	-511.20	-542.11
<b>Gross profit</b>	<b>226.87</b>	<b>265.41</b>	<b>241.48</b>	<b>313.86</b>	<b>315.98</b>	<b>343.69</b>
Other operating income	7.46	8.21	4.92	5.02	5.12	5.23
Distribution costs	-77.82	-89.26	-85.53	-103.05	-100.49	-107.61
Administration costs	-74.05	-83.11	-79.63	-95.95	-93.56	-100.19
Other operating expenses	-10.65	-13.54	-7.00	-10.37	-15.06	-15.42
<b>EBITDA</b>	<b>71.81</b>	<b>87.70</b>	<b>74.25</b>	<b>109.51</b>	<b>112.00</b>	<b>125.70</b>
Depreciation & amortisation	-29.44	-38.57	-42.00	-44.10	-44.14	-44.19
<b>EBIT</b>	<b>42.37</b>	<b>49.14</b>	<b>32.25</b>	<b>65.41</b>	<b>67.85</b>	<b>81.51</b>
Net financial result	-17.69	-15.79	-6.50	-5.50	-4.50	-3.50
<b>EBT</b>	<b>24.68</b>	<b>33.35</b>	<b>25.75</b>	<b>59.91</b>	<b>63.35</b>	<b>78.01</b>
Income taxes	-7.52	-8.85	-4.89	-11.38	-12.04	-14.82
Minorities	1.15	0.45	-1.50	-1.65	-1.82	-2.00
Result from discontinued operations (PayTel S.A.)	38.51	-6.37	-2.00	0.00	0.00	0.00
<b>Adj. Net income / loss (excl. discount. operat.)</b>	<b>18.31</b>	<b>24.95</b>	<b>19.35</b>	<b>46.88</b>	<b>49.50</b>	<b>61.19</b>
<b>Net income / loss</b>	<b>56.83</b>	<b>18.59</b>	<b>17.35</b>	<b>46.88</b>	<b>49.50</b>	<b>61.19</b>
EPS	11.88	3.89	2.93	7.92	8.36	10.34
Adj. EPS	3.83	5.33	3.27	7.92	8.36	10.34
DPS	0.00	0.00	2.20	2.38	2.51	3.10
<b>Share in total sales</b>						
Revenues	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Cost of goods sold	-66.53 %	-63.88 %	-65.70 %	-63.00 %	-61.80 %	-61.20 %
Gross profit	33.47 %	36.12 %	34.30 %	37.00 %	38.20 %	38.80 %
Other operating income	1.10 %	1.12 %	0.70 %	0.59 %	0.62 %	0.59 %
Distribution costs	-11.48 %	-12.15 %	-12.15 %	-12.15 %	-12.15 %	-12.15 %
Administration costs	-10.92 %	-11.31 %	-11.31 %	-11.31 %	-11.31 %	-11.31 %
Other operating expenses	-1.57 %	-1.84 %	-0.99 %	-1.22 %	-1.82 %	-1.74 %
EBITDA	10.59 %	11.94 %	10.55 %	12.91 %	13.54 %	14.19 %
Depreciation & amortisation	-4.34 %	-5.25 %	-5.97 %	-5.20 %	-5.34 %	-4.99 %
EBIT	6.25 %	6.69 %	4.58 %	7.71 %	8.20 %	9.20 %
Net financial result	-2.61 %	-2.15 %	-0.92 %	-0.65 %	-0.54 %	-0.40 %
EBT	3.64 %	4.54 %	3.66 %	7.06 %	7.66 %	8.81 %
Income taxes	-1.11 %	-1.20 %	-0.69 %	-1.34 %	-1.46 %	-1.67 %
Minorities	0.17 %	0.06 %	-0.21 %	-0.19 %	-0.22 %	-0.23 %
Result from discontinued operations (PayTel S.A.)	5.68 %	-0.87 %	-0.28 %	0.00 %	0.00 %	0.00 %
Adj. Net income / loss (excl. discount. operat.)	2.70 %	3.40 %	2.75 %	5.53 %	5.98 %	6.91 %
Net income / loss	8.38 %	2.53 %	2.47 %	5.53 %	5.98 %	6.91 %

\* our forecasts for 2021E do to include the profit from the sale of the remaining 10.75% stake in PayTel

## Balance Sheet

in PLNm	2018	2019	2020E	2021E	2022E	2023E
<b>Assets</b>						
Cash and equivalents	53.79	53.09	55.61	28.79	56.65	77.10
Short-term financial assets	0.70	2.30	2.35	2.39	2.44	2.49
Inventories	87.42	82.75	53.22	59.30	54.62	55.70
Trade accounts and notes receivables	189.15	261.52	250.57	290.30	271.75	278.88
Other current assets	34.60	34.16	32.73	39.27	38.13	40.65
Short-term part of construction contracts	15.53	24.51	26.00	26.50	27.00	27.50
Assets-held-for-sale	7.45	1.41	0.20	0.00	0.00	0.00
<b>Current assets, total</b>	<b>388.63</b>	<b>459.74</b>	<b>420.69</b>	<b>446.55</b>	<b>450.59</b>	<b>482.32</b>
Property, plant and equipment	68.84	90.14	71.20	71.20	71.20	71.20
Other intangible assets	172.55	183.11	183.21	183.31	183.41	183.51
Goodwill	272.80	272.80	272.80	272.80	272.80	272.80
Long-term financial assets	1.36	2.37	3.36	3.43	3.50	3.57
Other long-term assets	9.21	15.36	15.67	15.98	16.30	16.62
Long-term part of construction contracts	20.22	13.75	14.00	14.20	14.40	14.60
Deferred tax assets	1.33	5.74	0.00	0.00	0.00	0.00
<b>Non-current assets, total</b>	<b>546.32</b>	<b>583.26</b>	<b>560.24</b>	<b>560.92</b>	<b>561.61</b>	<b>562.30</b>
<b>Total assets</b>	<b>934.94</b>	<b>1043.01</b>	<b>980.93</b>	<b>1007.46</b>	<b>1012.19</b>	<b>1044.62</b>
<b>Liabilities</b>						
Trade payables	112.96	125.62	79.84	91.73	87.25	92.01
Other short-term liabilities	46.34	53.37	50.43	59.92	57.60	60.80
Short-term financial debt	146.21	215.99	200.00	180.00	160.00	140.00
Provisions	22.14	32.09	21.80	11.80	9.80	7.80
<b>Current liabilities, total</b>	<b>327.64</b>	<b>427.07</b>	<b>352.07</b>	<b>343.45</b>	<b>314.66</b>	<b>300.61</b>
Long-term financial debt	84.12	65.35	67.00	63.65	60.47	57.44
Other long-term liabilities	12.09	15.78	15.12	18.21	17.76	19.02
Provisions	1.55	1.84	1.70	1.60	1.50	1.40
Deferred tax liabilities	6.24	6.78	0.00	0.00	0.00	0.00
<b>Long-term liabilities, total</b>	<b>104.00</b>	<b>89.75</b>	<b>83.82</b>	<b>83.46</b>	<b>79.73</b>	<b>77.86</b>
<b>Total liabilities</b>	<b>431.65</b>	<b>516.82</b>	<b>435.89</b>	<b>426.91</b>	<b>394.39</b>	<b>378.47</b>
<b>Shareholders equity, total</b>	<b>477.68</b>	<b>496.55</b>	<b>513.90</b>	<b>547.77</b>	<b>583.20</b>	<b>629.55</b>
Minority interests	25.62	29.64	31.14	32.79	34.60	36.60
<b>Total equity and liabilities</b>	<b>934.94</b>	<b>1043.01</b>	<b>980.93</b>	<b>1007.46</b>	<b>1012.19</b>	<b>1044.62</b>



## Cash Flow Statement

in PLNm	2018	2019	2020E	2021E	2022E	2023E
Net income / loss	56.83	18.59	17.35	46.88	49.50	61.19
Depreciation	29.44	38.57	42.00	44.10	44.14	44.19
Change of working capital	-83.69	-86.92	-6.82	-30.95	17.57	-2.77
Others	-0.53	37.25	11.47	10.10	2.10	2.10
<b>Net operating cash flow</b>	<b>2.05</b>	<b>7.48</b>	<b>64.01</b>	<b>70.12</b>	<b>113.32</b>	<b>104.71</b>
<b>Cash flow from investing</b>	<b>11.35</b>	<b>-23.08</b>	<b>-21.95</b>	<b>-44.00</b>	<b>-44.25</b>	<b>-44.29</b>
Free cash flow	13.40	-15.59	42.07	26.12	69.07	60.42
<b>Cash flow from financing</b>	<b>4.20</b>	<b>14.89</b>	<b>-39.54</b>	<b>-52.95</b>	<b>-41.22</b>	<b>-39.96</b>
Change of cash	17.60	-0.71	2.53	-26.82	27.85	20.46
Cash at the beginning of the period	36.19	53.79	53.09	55.61	28.79	56.65
Cash at the end of the period	53.79	53.09	55.61	28.79	56.65	77.10

## Financial ratios

Fiscal year	2018	2019	2020E	2021E	2022E	2023E
<b>Profitability and balance sheet quality</b>						
Gross margin	33.47%	36.12%	34.30%	37.00%	38.20%	38.80%
EBITDA margin	10.59%	11.94%	10.55%	12.91%	13.54%	14.19%
EBIT margin	6.25%	6.69%	4.58%	7.71%	8.20%	9.20%
Net margin	8.38%	2.53%	2.47%	5.53%	2.70%	6.91%
Return on equity (ROE)	23.79%	3.82%	3.44%	8.83%	8.75%	10.09%
Return on assets (ROA)	7.97%	3.30%	2.43%	5.20%	5.34%	6.19%
Return on capital employed (ROCE)	4.85%	5.86%	4.15%	7.98%	7.88%	8.87%
Economic Value Added (in PLNm)	-29.73	-23.94	-35.18	-11.75	-13.03	-6.50
Net debt (in PLNm)	175.84	225.96	209.04	212.47	161.38	117.85
Net gearing	36.81%	45.51%	40.68%	38.79%	27.67%	18.72%
Equity ratio	51.09%	47.61%	52.39%	54.37%	57.62%	60.27%
Current ratio	1.19	1.08	1.19	1.30	1.43	1.60
Quick ratio	0.74	0.74	0.88	0.94	1.05	1.19
Net interest cover	2.40	3.11	4.96	11.89	15.08	23.29
Net debt/EBITDA	2.45	2.58	2.82	1.94	1.44	0.94
Tangible BVPS	42.85	46.79	40.73	46.46	52.44	60.27
CAPEX/Sales	7.34%	8.76%	3.12%	5.19%	5.35%	5.00%
Working capital/Sales	22.40%	27.14%	29.30%	27.96%	26.55%	25.11%
Cash Conversion Cycle (in days)	81	97	109	103	97	90
<b>Trading multiples</b>						
EV/Sales	0.82	0.76	0.79	0.66	0.67	0.63
EV/EBITDA	7.74	6.34	7.49	5.08	4.96	4.42
EV/EBIT	13.12	11.31	17.24	8.50	8.19	6.82
P/Tangible BVPS	1.37	1.25	1.44	1.26	1.12	0.97
Adj. P/E	15.30	10.99	17.92	7.40	7.01	5.67
P/FCF	25.88	-22.24	8.24	13.28	5.02	5.74

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