

Comp S.A.



Price target: PLN 53.90

Update

Rating: BUY

Comp's Q3/22 results were a positive surprise for us and in our view now make management's EBITDA guidance for full-year 2022E of PLN 70-75m increasingly realistic. As typical for the IT sector, Q4 is usually Comp's best quarter in terms of revenues. In 9M/22, the main sales driver was the IT segment, where following strong demand for IT security solutions revenues increased by 18.6% to PLN 247.7m (thereof: c. 20% from own products in our view) and the EBIT margin from 4.3% to 4.8%. The Retail segment (sales: -33.1% y-o-y to PLN 243m, thereof c. 8% recurring in our view; EBIT margin of 8.4%) also performed better than expected as a c. 20% weaker Polish business was to some extent offset by robust sales of fiscal devices in Kenya, which we estimate at >16,000 units this year. Despite PLN 6.1m higher interest expenses than last year and a PLN 12.5m one-off related to restructuring of subsidiary Elzab S.A., net income returned to positive territory in Q3. We have increased our estimates for 2022E, which despite higher net debt (PLN 212.4m vs. PLN 191.8m) – we expect it to go down again next year – and WACC (16.6% vs. 16.1% in Sep) increases our SOTP-based PT from PLN 46.10 to PLN 53.90. We maintain our BUY rating for the stock.

Strong demand for IT security solutions continues to be the main driver of results at Comp this year, while the Retail segment performs better than feared due to the fiscalisation in Kenya and c. PLN 20m of recurring revenues from value-added services, which in our view will increase by 50% next year. Regarding M/Platform, we expect strong growth – albeit at a slower pace than we had previously thought – from the new strategic co-operation with the leading Polish wholesale/retail chain Eurocash. According to our research, Eurocash is giving up its own digital platform and will introduce CMP's M/Platform at its associated retailers instead. In our view, in the coming quarters CMP will focus on the integration of its solution at Eurocash' retailers and the new co-operation will generate revenues of PLN >40m over the next 5 years.

After a recent call with management, we feel confident that CMP will reach its EBITDA guidance in 2022E (PLN 70-75m) and 2023E (PLN 90-100m). For 2022E, we now forecast sales of PLN 693.5m (prev. PLN 616.2m), EBITDA of PLN 70.1m (PLN 53.7m) and net income of PLN 11.5m (PLN -9m).

in PLNm	2019	2020	2021	2022E	2023E	2024E
Net sales	730.55	720.61	820.92	693.46	751.93	789.67
EBITDA	92.72	78.18	110.09	70.14	90.47	97.77
EBIT	54.15	35.48	63.38	22.73	43.01	50.26
Adj. Net income*	30.61	19.88	35.78	11.45	22.33	28.81
Adj. EPS*	5.33	3.36	6.05	1.93	4.67	6.02
DPS	0.00	3.00	3.00	5.00	5.00	5.00
Dividend yield	0.00%	7.50%	7.50%	12.50%	12.50%	12.50%
RoE	3.82%	3.02%	6.88%	-0.20%	4.13%	5.33%
Net gearing	45.51%	30.81%	18.94%	22.52%	23.00%	23.14%
EV/Sales	0.61x	0.62x	0.55x	0.65x	0.60x	0.57x
EV/EBITDA	4.84x	5.74x	4.08x	6.40x	4.96x	4.59x
Adj. P/E*	7.50x	11.91x	6.62x	20.67x	8.57x	6.64x

* excl. result from discontinued operations

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.

Date of publication	28 November 2022 / 6:30 am
Website	www.comp.com.pl
Sector	IT
Country	Poland
ISIN	PLCMP0000017
Reuters	CMP.WA
Bloomberg	CMP.PW

Share information

Last price	40.00
No of shares (m)	5.92
Market cap. (PLNm)	236.73
Market cap. (EURm)	50.19
52-week range	PLN 59.71 / PLN 38.68
Avg. volume (3-months)	3,559

Performance

4-weeks	-12.64%
13-weeks	-4.93%
26-weeks	-1.76%
52-weeks	-29.16%
YTD	-14.99%

Shareholder structure

MetLife Pension Fund	17.11%
Own shares*	14.77%
NN Pension Fund	10.23%
Funds managed by AgioFunds	8.95%
Robert Tomaszewski (CEO)	5.43%
Perea Capital Partners LP	5.39%
Free Float	38.12%

Financial calendar

Annual Report 2022 (exp.)	April 6, 2023
---------------------------	---------------

Analyst

Adrian Kowollik
a.kowollik@eastvalueresearch.com

9M/22 results

Revenues and Profitability

In 9M/22, Comp's revenues reached PLN 488.9m (-14.4% y-o-y). International clients accounted for 7.6% of total sales (9M/21: 5.4%).

The Retail segment (incl. the M/Platform modules M/Promo+ and M/Analytics) reported a 33.1% decline of sales and a significantly lower EBIT margin y-o-y of 8.4% (9M/21: 20.8%), however this stemmed from a high base last year, when the last stage of fiscalisation in Poland ended. We estimate the share of the segment's recurring revenues incl. M/Platform at c. 8% or c. PLN 20m.

In the IT segment, where c. 20% of revenues stem from own products such as encoders, sales reached PLN 247.7m (+18.6% y-o-y) and the EBIT margin 4.8% (9M/21: 4.3%).

In 9M/22, the two weakest subsidiaries were ZUK Elzab S.A. (Sales: -56.3% y-o-y, EBIT margin: 4.9% vs. 12.9% in 9M/21), which produces fiscal devices, and the holding company Comp (Sales: -13.9% y-o-y, EBIT margin: 6.7% vs. 12%), which provides IT security solutions. Elzab's restructuring will be completed by the end of this year.

in PLNm	9M/22	9M/21
Segment Retail*	242.95	363.27
<i>Share in total sales</i>	49.7%	63.6%
EBIT margin	8.4%	20.8%
Segment IT	247.72	208.91
<i>Share in total sales</i>	50.7%	36.6%
EBIT margin	4.8%	4.3%
Others	-1.76	-1.30
<i>Share in total sales</i>	-0.4%	-0.2%
EBIT margin	912.0%	1272.5%
Total sales	488.91	570.88

* incl. c. PLN 11.5m of revenues of M/Platform in 9M/22

Source: Company information, East Value Research GmbH

in PLNm	9M/22	9M/21	change y-o-y
Net sales	488.91	570.88	-14.4%
EBITDA	52.06	102.34	-49.1%
<i>EBITDA margin</i>	10.6%	17.9%	
EBIT	16.17	67.74	-76.1%
<i>EBIT margin</i>	3.3%	11.9%	
Net income (excl. discontinued operations)	10.95	49.24	-77.8%
<i>Net margin</i>	2.2%	8.6%	
Net income (incl. disc. operations)	-1.59	37.21	-104.3%
<i>Net margin</i>	-0.3%	6.5%	

Source: Company information, East Value Research GmbH

Name of the subsidiary	Comp Group's stake	9M/22		
		Revenues	EBIT	Net income
Comp S.A. (holding company)	100.0%	PLN 304.4m	PLN 20.5m	PLN 17.3m
Enigma Systemy Ochrony Informacji Sp. z.o.o	100.0%	PLN 129.8m	PLN 5.2m	PLN 1.6m
ZUK Elzab S.A.	78.4%	PLN 59.3m	PLN 2.9m	PLN -14.3m
Insoft Sp. z.o.o	52.0%	PLN 6.7m	PLN 1.5m	PLN 1.4m
Comp Centrum Innowacji Sp. z.o.o	50.1%	PLN 20.4m	PLN -11.3m	PLN -13.5m
Polski System Korzysci Sp. z.o.o	100.0%	PLN 318k	PLN -2m	PLN -1.9m

Source: Company information, East Value Research GmbH

In 9M/22, Comp's EBIT declined by 76.1% y-o-y to PLN 16.2m, but Q3 showed a significant improvement of operating margins compared to the two previous quarters. Between January and September 2022, Comp's gross margin amounted to 28.2% compared to 33.1% in 9M/21. At the end of September, the company had 1,156 full-time employees (31/06/2022: 1,162, 31/12/2021: 1,196) on average.

Net income after minorities and discontinued operations reached PLN -1.6m compared to PLN 37.2m in 9M/21. It included PLN 12.5m of restructuring costs mainly related to the subsidiary Elzab, especially expenses that stemmed from layoffs.

Balance sheet and Cash flow

At the end of September 2022, Comp had equity (excl. minority interests) of PLN 515.9m, which corresponds to a share of 51% in the balance sheet total. Fixed and intangible assets (excl. goodwill) amounted to PLN 68.6m (9M/21: PLN 64.4m) and PLN 220.1m (PLN 206.5m) respectively. Working capital equalled PLN 159.7m (PLN 127.3m). As of 30 September 2022, interest-bearing debt (bank loans, leasing, bonds) equalled PLN 245.3m (thereof: 72.2% short-term) and thus much more than at the end of 2021 (PLN 144m, thereof: 83% short term). While Comp increased its debt this year due to higher investments in inventories (electronic components, bracelets etc.), especially due to delivery issues in H1/22, financial liabilities will again decline next year, according to the company's management.

Between January and September 2022, Comp generated an operating cash flow of PLN -43.5m (9M/21: PLN 65.6m). The main reason was a significantly lower EBIT y-o-y and high investments in inventories (PLN -28.9m vs. PLN 7.5m in 9M/21). Cash flow from investing equalled PLN -25.1m (9M/21: PLN -27.5m), while cash flow from financing amounted to PLN 64.3m (PLN -44.1m) as Comp raised new debt. Between January and September 2022, Comp's cash position declined by PLN 4.3m to PLN 32.9m.

According to management, the operating cash flow in Q4/22 should again be negative. While the fiscalisation of car washing stations and the "Pomorskie Zdrowie" contract were postponed to next year, these contracts should help to generate a positive operating cash flow in 2023E.

Financial forecasts

Revenues and Profitability

So far this year, Comp's results have been negatively affected by difficulties with delivery of electronic components and postponement of major contracts to 2023E, however on the other hand the demand for IT security solutions has outpaced our expectations. We expect that an increasing share of own products in the IT segment and of recurring revenues in the Retail segment incl. M/Platform will drive CMP's profitability in the coming years. In our view, the recently signed co-operation contract with the largest wholesale chain in Poland Eurocash regarding M/Platform will not only help Comp to roll out its digital platform in its domestic market but also to find strategic partners in other countries.

Given the much better-than-expected Q3 and a recent call with management, we now feel confident that Comp will achieve its EBITDA guidance of PLN 70-75m this year and EUR 95-100m in 2023E. Our new estimates for 2022E and the next year look as follows:

2022E – Revenues of PLN 693.5m (previously: PLN 616.2m), EBITDA of PLN 70.1m (PLN 53.7m; CMP's guidance: PLN 70-75m), adj. net income (excl. result of discontinued operations) of PLN 11.5m (PLN -9m).

2023E - Revenues of PLN 751.9m (PLN 637.3m), EBITDA of PLN 90.5m (PLN 81.9m), adj. net income PLN 22.3m (PLN 14.6m).

Below are our detailed estimates for Comp's business segments:

Retail segment (excl. M/Platform): After 9M/22, we have raised our sales estimate for 2022E. We now expect 173,000 devices sold this year, which should result in revenues of PLN 284.9m (previously: PLN 261.5m).

Regarding the EBIT margin, for 2022E we now forecast 7.2% (5.2%) and c. 12% on average in the long run due to increasing recurring revenues such as e-invoices and electronic payments, which we have included under "Service & maintenance". In 2023E, we expect them to increase by 50% to c. PLN 30m.

M/Platform: Regarding the modular cloud-based digital platform M/Platform, the M/Promo+ (allows FMCG producers to target all their promotions to traditional retailers that are using M/Platform) and M/Analytics (aggregated data for FMCG producers about the demand for their products) modules are already generating sales. New modules such as M/Store (an online platform allowing retailers to place orders at various wholesalers) and M/Loyalty (loyalty system for traditional retailers) are about to be introduced.

After recent discussions with management, we have lowered our sales estimate for 2022E from PLN 16.5m to PLN 15.9m and the EBIT margin from -4% to -8% as December will likely be the first month with a positive EBITDA. Due to the focus on the co-operation with Eurocash we have also lowered our assumption for the long-term CAGR to 30% (previously:

40.4%), which however could accelerate should Comp roll-out its solution at retail chains abroad. We maintain our view that the M/Platform will generate EBIT margins of up to 25% in the future.

IT segment: Due to excellent prospects of this segment and surprisingly strong 9M/22 we have increased our assumptions for 2022E and beyond. In 2022E, we now expect sales of PLN 399.2m (previously: PLN 344.8m) and an EBIT margin of 6.6% (4.7%). In the long run, we now believe the sales CAGR will reach 3.7% and the EBIT margin 5-6%.

in PLNm	2022E	2023E	2024E
Segment Retail (excl. M/Platform)	284.90	295.55	311.20
<i>Share in total sales</i>	41.1%	39.3%	39.4%
EBIT margin	7.2%	12.4%	12.3%
Number of fiscal equipment sold	173,000	173,500	174,000
Average price (PLN)	1,300	1,300	1,300
Service & maintenance (PLNk)	60,000	70,000	85,000
M/Platform	15.90	24.00	37.50
<i>Share in total sales</i>	2.3%	3.2%	4.7%
EBIT margin	-8.0%	7.5%	15.0%
Number of shops	12,500	20,000	28,000
Number of FMCG producers	30	40	50
Transaction volume (PLNk)	1,060,000	1,600,000	2,500,000
% fee	1.5%	1.5%	1.5%
Segment IT	399.22	439.15	447.93
<i>Share in total sales</i>	57.6%	58.4%	56.7%
EBIT margin	6.6%	5.9%	5.9%
Others	-6.56	-6.76	-6.96
Total sales	693.46	751.93	789.67
change y-o-y	-15.5%	8.4%	5.0%

Source: East Value Research GmbH

in PLNm	2022E		2023E		2024E	
	new	old	new	old	new	old
Net sales	693.46	616.22	751.93	637.27	789.67	683.85
EBITDA	70.14	53.69	90.47	81.88	97.77	94.59
<i>EBITDA margin</i>	10.1%	8.7%	12.0%	12.8%	12.4%	13.8%
EBIT	22.73	6.28	43.01	34.43	50.26	47.09
<i>EBIT margin</i>	3.3%	1.0%	5.7%	5.4%	6.4%	6.9%
Adj. net income	11.45	-8.98	22.33	14.56	28.81	25.43
<i>Net margin</i>	1.7%	-1.5%	3.0%	2.3%	3.6%	3.7%

Source: East Value Research GmbH

in PLNm	Q1/19	Q2/19	Q3/19	Q4/19	2019	Q1/20	Q2/20	Q3/20	Q4/20	2020
Net sales	120.33	147.13	183.57	279.52	730.55	141.28	111.61	156.65	311.07	720.61
<i>change y-o-y</i>	0.4%	-7.1%	20.0%	13.3%	7.8%	17.4%	-24.1%	-14.7%	11.3%	-1.4%
EBITDA	14.45	25.38	26.36	26.53	92.72	23.83	4.18	20.48	29.69	78.18
<i>EBITDA margin</i>	12.0%	17.3%	14.4%	9.5%	12.7%	16.9%	3.7%	13.1%	9.5%	10.8%
EBIT	6.00	15.85	16.44	15.86	54.15	13.41	-6.21	9.24	19.04	35.48
<i>EBIT margin</i>	5.0%	10.8%	9.0%	5.7%	7.4%	9.5%	-5.6%	5.9%	6.1%	4.9%
Net income	0.49	2.09	8.12	7.90	18.59	4.26	-3.70	5.33	9.33	15.22
<i>Net margin</i>	0.4%	1.4%	4.4%	2.8%	2.5%	3.0%	-3.3%	3.4%	3.0%	2.1%

in PLNm	Q1/21	Q2/21	Q3/21	Q4/21	2021	Q1/22	Q2/22	Q3/22	Q4/22E	2022E
Net sales	171.43	245.46	162.88	241.15	820.92	128.90	162.62	197.52	204.41	693.46
<i>change y-o-y</i>	21.3%	119.9%	4.0%	-22.5%	13.9%	-24.8%	-33.7%	21.3%	-15.2%	-15.5%
EBITDA	27.65	43.50	18.34	20.61	110.09	9.80	15.61	22.58	22.14	70.14
<i>EBITDA margin</i>	16.1%	17.7%	11.3%	8.5%	13.4%	7.6%	9.6%	11.4%	10.8%	10.1%
EBIT	16.05	31.89	6.76	8.68	63.38	-1.88	3.51	10.48	10.62	22.73
<i>EBIT margin</i>	9.4%	13.0%	4.1%	3.6%	7.7%	-1.5%	2.2%	5.3%	5.2%	3.3%
Net income	10.65	23.29	3.27	-1.23	35.98	-2.06	-4.94	4.20	1.71	-1.08
<i>Net margin</i>	6.2%	9.5%	2.0%	-0.5%	4.4%	-1.6%	-3.0%	2.1%	0.8%	-0.2%

Source: Company information, East Value Research GmbH

CAPEX and Working capital

Our assumption for the gross CAPEX in 2022E-2024E is PLN 145.1m, thereof PLN 50m in 2022E. In the long run, it should equal c. 5% of CMP's yearly sales.

Regarding working capital, we have assumed that its share in total sales will decline from 9.7% in 2021 to <8% in the future. In our view, the cash conversion cycle will remain at 30 days.

Valuation

In order to reflect all its business segments appropriately, we have valued Comp by using a Sum-of-the-Parts valuation. Our model accounts for the 1.14m shares, which have been bought back by Comp in the last years. Despite higher WACC (16.6% vs. 16.1% before) and net debt (PLN 212.4m vs. PLN 191.8m at the end of Q2/22), our 12-months PT goes up from previously PLN 46.10 to PLN 53.90. Given an upside of 34.7% at present, we maintain our BUY rating for the stock.

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 7.05% (Source: 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 1.38x (Source: www.damodaran.com)
- (3) *Target equity ratio*: 80%
- (4) *After-tax cost of debt*: 6.9%
- (5) *Levered beta*: 1.66x
- (6) *Equity costs*: 18.4%
- (7) *Equity risk premium (Poland)*: 7.19% (Source: www.damodaran.com)
- (8) *WACC*: 16.6%
- (9) *Sales growth in the terminal period*: 2%
- (10) Free cash flows are discounted to November 27, 2022

Sum-of-the Parts

We have valued all of Comp's business segments separately: (1) IT segment – based on peer group multiples for 2021-23E 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 136.8m	PLN 502.2m
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 2021, 89.4% of its sales stemmed from abroad and 78% from own products.	PLN 5.9bn	PLN 14.5bn
Comarch S.A.	Comarch provides software, hardware, integration and training services for clients from various sectors and public administration. Foreign markets account for c. 44% and own software for c. 19% of the company's total sales.	PLN 1.2bn	PLN 1.6bn
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 93.7m	PLN 205.3m
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 58.9m	PLN 62.6m

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
	2021	2022E	2023E	2021	2022E	2023E	Latest	Last FY	Latest
Wasko S.A. (PLN)	0.21x	n.a	n.a	5.09x	n.a	n.a	0.55x	7.03%	-13.27%
Asseco Poland S.A. (PLN)	0.46x	0.39x	0.36x	4.55x	4.09x	3.86x	0.93x	15.49%	11.93%
Comarch S.A. (PLN)	0.62x	0.53x	0.51x	5.36x	6.12x	6.01x	0.96x	17.17%	-16.70%
Atende S.A. (PLN)	0.50x	n.a	n.a	698.16x	n.a	n.a	1.43x	4.84%	14.79%
Passus S.A. (PLN)	0.88x	0.86x	0.73x	6.35x	28.61x	9.09x	4.13x	19.28%	-27.87%
Median	0.50x	0.53x	0.51x	5.36x	6.12x	6.01x			
Implied EV Comp S.A. - IT segment (PLN)	182.63	212.12	225.22	116.87	161.34	155.90			
Fair Enterprise Value - IT segment	175.68								

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

The valuation of Comp's IT segment is based on 2021 results, our estimates for 2022E-23E and median consensus multiples of Wasko, Asseco Poland, Comarch, Atende and Passus. It results in a Fair Enterprise Value of PLN 175.7m.

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 Commerce Inc., Chinese Urovo Technology and Uniform Industrial from Taiwan.

Our DCF model is based on a WACC of 16.6%, yearly growth of depreciation and amortization of 1%, CAPEX = D&A and working capital investments of 2.2% of total sales per annum. Our approach results in a Fair Enterprise Value of Comp's Retail segment (excl. M/Platform) of PLN 185.8m.

in PLNm	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Net sales	284.90	295.55	311.20	325.35	340.63	354.80	368.45	382.06	396.22
(y-o-y change)	-38.6%	3.7%	5.3%	4.5%	4.7%	4.2%	3.8%	3.7%	3.7%
Operating profit	20.51	36.65	38.28	39.69	41.22	42.58	43.85	45.27	46.81
(operating margin)	7.2%	12.4%	12.3%	12.2%	12.1%	12.0%	11.9%	11.9%	11.8%
NOPAT	16.62	29.69	31.00	32.15	33.38	34.49	35.51	36.67	37.92
+ Depreciation & amortisation	16.15	16.31	16.47	16.64	16.80	16.97	17.14	17.31	17.48
= Net operating cash flow	32.76	45.99	47.48	48.79	50.19	51.46	52.65	53.98	55.40
- Total investments (Capex and WC)	-22.41	-22.81	-23.32	-23.79	-24.30	-24.78	-25.25	-25.72	-26.20
Capital expenditures	-16.15	-16.31	-16.47	-16.64	-16.80	-16.97	-17.14	-17.31	-17.48
Working capital	-6.27	-6.50	-6.85	-7.16	-7.49	-7.81	-8.11	-8.41	-8.72
= Free Cash Flow (FCF)	10.35	23.18	24.16	24.99	25.89	26.68	27.41	28.27	29.20
PV of FCFs	10.20	19.61	17.53	15.56	13.83	12.22	10.77	9.53	8.45
PV of FCFs in explicit period	117.69								
PV of FCFs in terminal period	68.15								
Enterprise Value (EV)	185.84								
WACC	16.6%								
Cost of equity	16.6%								
Pre-tax cost of debt	8.5%								
Normal tax rate	19.0%								
After-tax cost of debt	6.9%								
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 4.4bn	CNY 1.4bn
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 1.9bn	TWD 827.2m
Lightspeed Commerce Inc.	With a cloud-based platform and POS systems, Lightspeed Commerce 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 3.1bn	CAD 734.4m
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 25.9m	EUR 38.2m

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
	2021	2022E	2023E	2021	2022E	2023E	Latest	Last FY	Latest
Urovo Technology Co. Ltd. (CNY)	2.82x	n.a	n.a	22.17x	n.a	n.a	2.52x	12.71%	-23.33%
Uniform Industrial Corp. (TWD)	1.71x	n.a	n.a	71.01x	n.a	n.a	1.75x	2.40%	-43.74%
Lightspeed Commerce Inc. (CAD)	3.08x	2.41x	1.82x	n.a	n.a	550.33x	0.94x	neg.	-25.31%
Vectron Systems AG (EUR)	0.47x	0.66x	0.58x	3.81x	n.a	13.30x	1.05x	12.34%	-32.42%
Median	2.26x	1.54x	1.20x	22.17x	n.a	281.81x	1.40x	12.34%	-28.86%
Comp S.A. (PLN)*	0.49x	0.58x	0.54x	3.67x	5.75x	4.46x	0.37x	13.41%	41.16%
Premium/discount	-78.3%	-62.1%	-55.3%	-83.5%	n.a	-98.4%	-73.6%		

* excl. 1.14m own shares

Source: CapitalIQ, East Value Research GmbH

Our analysis shows that Comp is currently trading at a 55.3%-98.4% 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 = 16.6% and assumed Depreciation & Amortisation of c. 20% 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 97.2m.

in PLNm	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Net sales	15.90	24.00	37.50	52.50	67.50	82.50	97.50	112.50	127.50
(y-o-y change)	32.5%	50.9%	56.3%	40.0%	28.6%	22.2%	18.2%	15.4%	13.3%
Operating profit	-1.27	1.80	5.63	10.50	15.19	20.63	24.28	27.96	31.37
(operating margin)	-8.0%	7.5%	15.0%	20.0%	22.5%	25.0%	24.9%	24.9%	24.6%
NOPAT	-1.03	1.46	4.56	8.51	12.30	16.71	19.66	22.64	25.41
+ Depreciation & amortisation	11.85	13.63	15.67	18.02	20.73	22.49	24.40	26.47	28.72
= Net operating cash flow	10.82	15.09	20.23	26.53	33.03	39.19	44.06	49.12	54.14
- Total investments (Capex and WC)	-11.85	-13.63	-15.67	-18.02	-20.73	-22.49	-24.40	-26.47	-28.72
Capital expenditures	-11.85	-13.63	-15.67	-18.02	-20.73	-22.49	-24.40	-26.47	-28.72
Working capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
= Free Cash Flow (FCF)	-1.03	1.46	4.56	8.51	12.30	16.71	19.66	22.64	25.41
PV of FCFs	-1.02	1.23	3.31	5.29	6.57	7.65	7.73	7.63	7.35
PV of FCFs in explicit period	45.75								
PV of FCFs in terminal period	51.48								
Enterprise Value (EV)	97.23								
WACC	16.6%								
Cost of equity	16.6%								
Pre-tax cost of debt	8.5%								
Normal tax rate	19.0%								
After-tax cost of debt	6.9%								
Share of equity	80.0%								
Share of debt	20.0%								

Source: East Value Research GmbH

Price target calculation

Sum-of-the-Parts	
IT segment	175.68
Retail segment	185.84
M/Platform (CMP's economic interest = 74%)*	71.95
Sum of Enterprise Values (PLNm)	433.47
- Net debt (30/09/2022)	-212.36
Implied Equity Value (PLNm)	221.11
Number of shares less 1.14m own shares	4.78
Implied Equity Value per share (PLN)	46.24
Implied Equity Value per share (in 12 months)	53.90

* own calculation based on discussions with representatives of CMP.
In the project M/Platform, several of Comp's subsidiaries are involved.

Source: East Value Research GmbH

Profit and loss statement

in PLNm	2019	2020	2021	2022E	2023E	2024E
Revenues	730.55	720.61	820.92	693.46	751.93	789.67
Cost of goods sold	-463.35	-479.13	-533.49	-450.75	-458.68	-472.22
Gross profit	267.20	241.49	287.43	242.71	293.25	317.45
Other operating income	7.71	17.60	12.32	7.40	7.55	7.70
Distribution costs	-96.35	-91.33	-100.71	-101.25	-109.78	-115.29
Administration costs	-72.49	-71.11	-75.49	-72.81	-78.95	-82.91
Other operating expenses	-13.35	-18.47	-13.45	-5.91	-21.60	-29.17
EBITDA	92.72	78.18	110.09	70.14	90.47	97.77
Depreciation & amortisation	-38.57	-42.70	-46.71	-47.41	-47.46	-47.50
EBIT	54.15	35.48	63.38	22.73	43.01	50.26
Net financial result	-15.14	-7.28	-14.17	-16.00	-15.20	-14.40
EBT	39.01	28.21	49.21	6.73	27.81	35.86
Income taxes	-8.85	-10.28	-14.43	-1.28	-5.28	-6.81
Minorities	0.45	1.95	1.00	6.00	-0.20	-0.24
Result from discontinued operations (PayTel S.A.)	-12.03	-4.66	0.20	-12.54	0.00	0.00
Adj. Net income / loss (excl. discount. operat.)	30.61	19.88	35.78	11.45	22.33	28.81
Net income / loss	18.59	15.22	35.98	-1.08	22.33	28.81
EPS	3.89	3.18	7.52	-0.23	4.67	6.02
Adj. EPS	5.33	3.36	6.05	1.93	4.67	6.02
DPS	0.00	3.00	3.00	5.00	5.00	5.00
Share in total sales						
Revenues	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Cost of goods sold	-63.43 %	-66.49 %	-64.99 %	-65.00 %	-61.00 %	-59.80 %
Gross profit	36.57 %	33.51 %	35.01 %	35.00 %	39.00 %	40.20 %
Other operating income	1.06 %	2.44 %	1.50 %	1.07 %	1.00 %	0.97 %
Distribution costs	-13.19 %	-12.67 %	-12.27 %	-14.60 %	-14.60 %	-14.60 %
Administration costs	-9.92 %	-9.87 %	-9.20 %	-10.50 %	-10.50 %	-10.50 %
Other operating expenses	-1.83 %	-2.56 %	-1.64 %	-0.85 %	-2.87 %	-3.69 %
EBITDA	12.69 %	10.85 %	13.41 %	10.11 %	12.03 %	12.38 %
Depreciation & amortisation	-5.28 %	-5.93 %	-5.69 %	-6.84 %	-6.31 %	-6.02 %
EBIT	7.41 %	4.92 %	7.72 %	3.28 %	5.72 %	6.37 %
Net financial result	-2.07 %	-1.01 %	-1.73 %	-2.31 %	-2.02 %	-1.82 %
EBT	5.34 %	3.91 %	5.99 %	0.97 %	3.70 %	4.54 %
Income taxes	-1.21 %	-1.43 %	-1.76 %	-0.18 %	-0.70 %	-0.86 %
Minorities	0.06 %	0.27 %	0.12 %	0.87 %	-0.03 %	-0.03 %
Result from discontinued operations (PayTel S.A.)	-1.65 %	-0.65 %	0.02 %	-1.81 %	0.00 %	0.00 %
Adj. Net income / loss (excl. discount. operat.)	4.19 %	2.76 %	4.36 %	1.65 %	2.97 %	3.65 %
Net income / loss	2.54 %	2.11 %	4.38 %	-0.16 %	2.97 %	3.65 %

Balance sheet

in PLNm	2019	2020	2021	2022E	2023E	2024E
Assets						
Cash and equivalents	53.09	46.64	37.22	52.62	39.94	29.62
Short-term financial assets	2.30	2.46	5.57	5.68	5.79	5.91
Inventories	82.75	97.25	91.11	111.14	108.39	106.73
Trade accounts and notes receivables	261.52	173.29	134.78	113.85	123.45	129.65
Other current assets	34.16	38.92	45.17	42.91	40.76	38.73
Short-term part of construction contracts	24.51	42.88	46.97	44.97	45.47	45.97
Assets-held-for-sale	1.41	1.19	2.42	0.00	0.00	0.00
Current assets, total	459.74	402.63	363.22	371.16	363.80	356.60
Property, plant and equipment	90.14	70.78	72.61	67.60	67.55	67.50
Other intangible assets	183.11	200.89	208.41	218.41	218.51	218.61
Goodwill	272.80	272.80	272.80	272.80	272.80	272.80
Long-term financial assets	2.37	20.87	11.34	11.57	11.80	12.03
Other long-term assets	15.36	12.27	10.35	10.55	10.76	10.98
Long-term part of construction contracts	13.75	14.87	9.32	3.10	3.30	3.50
Deferred tax assets	5.74	0.92	5.49	0.00	0.00	0.00
Non-current assets, total	583.26	593.40	590.32	584.03	584.73	585.43
Total assets	1043.01	996.02	953.54	955.20	948.53	942.03
Liabilities						
Trade payables	125.62	132.17	135.28	129.67	129.94	131.70
Other short-term liabilities	53.37	69.18	56.20	47.47	51.48	54.06
Short-term financial debt	215.99	174.62	119.53	130.00	125.00	120.00
Provisions	32.09	24.07	22.54	16.00	14.00	12.00
Current liabilities, total	427.07	400.05	333.55	323.14	320.42	317.76
Long-term financial debt	65.35	32.14	24.48	50.00	45.00	40.50
Other long-term liabilities	15.78	13.41	16.27	13.74	14.90	15.65
Provisions	1.84	2.04	2.10	2.00	1.90	1.80
Deferred tax liabilities	6.78	9.27	10.83	0.00	0.00	0.00
Long-term liabilities, total	89.75	56.86	53.68	65.74	61.80	57.94
Total liabilities	516.82	456.90	387.22	388.88	382.21	375.71
Shareholders equity, total	496.55	511.80	534.55	540.55	540.35	540.11
Minority interests	29.64	27.32	31.77	25.77	25.97	26.21
Total equity and liabilities	1043.01	996.02	953.54	955.20	948.53	942.03

Cash Flow Statement

in PLNm	2019	2020	2021	2022E	2023E	2024E
Net income / loss	18.59	15.22	35.98	-1.08	22.33	28.81
Depreciation	38.57	42.70	46.71	47.41	47.46	47.50
Change of working capital	-86.92	49.09	25.35	-11.19	-0.42	1.84
Others	37.25	-1.65	11.35	11.98	2.10	2.10
Net operating cash flow	7.48	105.35	119.38	47.11	71.46	80.26
Cash flow from investing	-23.08	-31.75	-33.70	-49.98	-47.51	-47.55
Free cash flow	-15.59	73.61	85.68	-2.87	23.96	32.70
Cash flow from financing	14.89	-80.05	-95.11	18.27	-36.63	-43.03
Change of cash	-0.71	-6.44	-9.43	15.40	-12.67	-10.33
Cash at the beginning of the period	53.79	53.09	46.64	37.22	52.62	39.94
Cash at the end of the period	53.09	46.64	37.22	52.62	39.94	29.62

Financial ratios

Fiscal year	2019	2020	2021	2022E	2023E	2024E
Profitability and balance sheet quality						
Gross margin	36.57%	33.51%	35.01%	35.00%	39.00%	40.20%
EBITDA margin	12.69%	10.85%	13.41%	10.11%	12.03%	12.38%
EBIT margin	7.41%	4.92%	7.72%	3.28%	5.72%	6.37%
Net margin	2.54%	2.11%	4.38%	2.70%	2.97%	3.65%
Return on equity (ROE)	3.82%	3.02%	6.88%	-0.20%	4.13%	5.33%
Return on assets (ROA)	3.23%	2.26%	5.26%	1.56%	3.96%	4.59%
Return on capital employed (ROCE)	6.80%	3.78%	7.23%	2.91%	5.55%	6.52%
Economic Value Added (in PLNm)	-60.16	-76.17	-57.90	-86.29	-69.20	-62.69
Net debt (in PLNm)	225.96	157.66	101.22	121.71	124.26	124.97
Net gearing	45.51%	30.81%	18.94%	22.52%	23.00%	23.14%
Equity ratio	47.61%	51.38%	56.06%	56.59%	56.97%	57.34%
Current ratio	1.08	1.01	1.09	1.15	1.14	1.12
Quick ratio	0.74	0.56	0.53	0.53	0.53	0.52
Net interest cover	3.58	4.88	4.47	1.42	2.83	3.49
Net debt/EBITDA	2.44	2.02	0.92	1.74	1.37	1.28
Tangible BVPS	46.79	49.98	54.74	55.99	55.95	55.90
CAPEX/Sales	8.81%	5.67%	6.98%	7.21%	6.32%	6.02%
Working capital/Sales	27.30%	15.00%	9.69%	13.09%	12.13%	11.31%
Cash Conversion Cycle (in days)	97	61	30	45	43	41
Trading multiples						
EV/Sales	0.61	0.62	0.55	0.65	0.60	0.57
EV/EBITDA	4.84	5.74	4.08	6.40	4.96	4.59
EV/EBIT	8.29	12.66	7.09	19.76	10.44	8.93
P/Tangible BVPS	0.85	0.80	0.73	0.71	0.71	0.72
Adj. P/E	7.50	11.91	6.62	20.67	8.57	6.64
P/FCF	-15.18	3.22	2.76	-82.40	9.88	7.24

Disclaimer

This document (prepared on 25 November 2022) does neither constitute an offer nor a request to buy or sell any securities. It only serves informational purposes. This document only contains a non-binding opinion on the mentioned securities and market conditions at the time of its publication. Due to the general character of its content this document does not replace investment advice. Moreover, in contrast to especially approved prospectuses, it does not provide information, which is necessary for taking investment decisions.

All information, which have been used in this document, and the statements that have been made, are based on sources, which we think are reliable. However, we do not guarantee their correctness or completeness. The expressions of opinion, which it contains, show the author's personal view at a given moment. These opinions can be changed at any time and without further notice.

A liability of the analyst or of the institution, which has mandated him, should be excluded from both direct and indirect damages.

This confidential study has only been made available to a limited number of recipients. A disclosure or distribution to third-parties is only allowed with East Value Research' approval. All valid capital market rules, which relate to the preparation, content as well as distribution of research in different countries, should be applied and respected by both the supplier and recipient.

Distribution in the United Kingdom: In the UK this document shall only be distributed to persons who are described in Section 11 (3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended). This research may not be distributed and forwarded directly or indirectly to any other group of individuals. The distribution of this document in other international jurisdictions may be restricted by law and individuals who possess this study should inform themselves about any existing restrictions and comply with them.

Neither this document nor any copy of it may be taken or sent to the United States of America, Canada, Japan or Australia or distributed, directly or indirectly, in the United States of America, Canada, Japan or Australia or to any resident thereof. Any failure to comply with these restrictions may constitute a violation of United States, Canadian, Japanese or Australian securities laws or the law of any other jurisdiction.

Declaration according to § 34b WpHG and FinAnV on potential conflicts of interest (As of July 24, 2013): East Value Research has been commissioned to prepare this report by Comp S.A..

Declaration according to § 34b WpHG and FinAnV on additional disclosures (As of July 24, 2013):

It is the sole decision of East Value Research GmbH whether and when a potential update of this research will be made.

Relevant basis and measures of the valuations, which are included in this document:

The valuations, which are the basis for East Value Research` investment recommendations, are based on generally-accepted and widely-used methods of fundamental analysis such as the Discounted-Cash-Flow method, Peer Group comparison, or Sum-of-the-Parts models.

The meaning of investment ratings:

Buy: Based on our analysis, we expect the stock to appreciate and generate a total return of more than 10% over the next twelve months

Add: Based on our analysis, we expect the stock to appreciate and generate a total return between 0% and 10% over the next twelve months

Reduce: Based on our analysis, we expect the stock to cause a negative return between 0% and -10% over the next twelve months

Sell: Based on our analysis, we expect the stock to cause a negative return exceeding -10% over the next twelve months

The respective supervisory authority is:

Bundesanstalt für Finanzdienstleistungsaufsicht
Lurgiallee 12
60439 Frankfurt