

19 August 2019

ANY PLC

HOLD

ANY PLC: 2Q19 beats our expectations, but still in line with our full-year target

BBG Ticker	ANY HB
Market Cap (USD mil)	64.6
Price	1,280
Price target	1,406
Upside	9.8%



ANY reported its 2Q19 results on Friday (16 August). Revenues came in at HUF 8.65bn, 9.2% higher yoy and 8.3% above our expectations, due to the strong performance in security products and card production. EBITDA was reported at HUF 829m, at a margin of 9.6%, 8.8% higher yoy and 11.2% above our expectations, driven by the increase in sales, combined with a small gain in profitability on both material and personnel expenses, while partly mitigated by a lower-than-expected other expenses gain. This translated into a beat on net income of 12%, with HUF 336m reported for the quarter, up 10% yoy and 6.6% qoq. While the performance over the quarter was stronger than expected, driven by the top-line performance, we believe the 1H19 results are on track to meet our 2019E target, with the EBITDA at 52% of our full-year estimate. We view the results as neutral overall.

ANY: 2Q19 results review

(HUF m)	2Q18	1Q19	2Q19	yoy	qoq	2Q19E	vs. WOOD
Revenues	7,923	7,441	8,649	9.2%	16.2%	7,989	8.3%
Security Products	2,315	2,393	2,546	10.0%	6.4%		
Card Production	2,528	2,228	2,792	10.4%	25.3%		
Form Production	2,665	2,361	2,638	-1.0%	11.7%		
Traditional Printing	356	291	536	50.6%	84.2%		
Other	59	168	136	130.5%	-19.0%		
Material expenses	-5,418	-5,226	-5,878	8.5%	12.5%	-5,503	6.8%
Personnel expenses	-1,580	-1,660	-1,944	23.0%	17.1%	-1,800	8.0%
Other expenses	-163	201	1	n.m.	-99.5%	60	-98.3%
EBITDA	762	755	829	8.8%	9.8%	746	11.2%
D&A	-278	-312	-319	14.7%	2.2%	-310	2.9%
EBIT	484	443	510	5.3%	15.0%	436	17.0%
Financial result	-24	-23	-23	-4.1%	-3.2%	-25	-9.3%
Pre-tax profit	445	420	487	9.6%	16.0%	411	18.6%
Tax	-47	-43	-55	16.8%	28.1%	-49	11.3%
Net income	397	377	432	8.8%	14.6%	362	19.6%
Minorities	91	62	96	5.0%	55.6%	61	56.7%
Net income for shareholders	306	315	336	10.0%	6.6%	300	12.0%

Source: Company data, WOOD Research

The top-line dynamics were above our expectations for the quarter, with revenues of HUF 8.65bn 8.3% above our expectations, while being up 9.2% yoy and 16.2% qoq. The strong result, compared to the same quarter last year, was due to a base effect as well, as the 2018 election revenues were booked mostly in 1Q18. The beat vs. our expectations came mainly from the strong performance in security products, up 10% yoy, driven by higher election revenues than expected, and strong card production numbers, up 10.4% yoy, due to higher domestic and international document card sales. Export revenues accounted for 36% of the total revenues in the quarter, in line with previous dynamics, with card production exports starting to have a material contribution.

On the costs side, material and personnel expenses performed marginally better than expectations, at 68% and 22% of sales, respectively, vs. our expectations of 69% and 23%. The company also reported a gain of HUF 1m on other expenses, compared to our expectation of HUF 60m, based on previous quarters' dynamics. This was driven by a lower gain on the capitalised value of assets produced, combined with an increase in other expenses.

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ANY: 2Q19 operational results review

	2Q18	1Q19	2Q19	yoy	qoq	2Q19E	vs. WOOD
EBITDA margin	9.6%	10.1%	9.6%	-0.03pp.	-0.56pp.	9.3%	0.25pp.
EBIT margin	6.1%	6.0%	5.9%	-0.21pp.	-0.06pp.	5.5%	0.44pp.
Net Income margin	5.0%	5.1%	5.0%	-0.02pp.	-0.07pp.	4.5%	0.47pp.
Net Income for shareholders margin	3.9%	4.2%	3.9%	0.03pp.	-0.35pp.	3.8%	0.13pp.
Business lines as % of revenues							
Security Products	29%	32%	29%	0.22pp.	-2.72pp.		
Card Production	32%	30%	32%	0.00pp.	0.02pp.		
Form Production	34%	32%	30%	-0.03pp.	-0.01pp.		
Traditional Printing	4%	4%	6%	0.02pp.	0.02pp.		
Other	1%	2%	2%	0.01pp.	-0.01pp.		
Export revenues	2,823	2,616	3,134	11.0%	19.8%		
Security Products	161	148	180	11.8%	21.6%		
Card Production	276	321	516	87.0%	60.7%		
Form Production	2,278	2,033	2,333	2.4%	14.8%		
Traditional Printing	11	6	11	0.0%	83.3%		
Other	97	108	94	-3.1%	-13.0%		
Export as % of total revenues	36%	35%	36%	0.60pp.	1.08pp.		
Security Products	7%	6%	7%	0.00pp.	0.01pp.		
Card Production	11%	14%	18%	0.08pp.	0.04pp.		
Form Production	85%	86%	88%	0.03pp.	0.02pp.		
Traditional Printing	3%	2%	2%	-0.01pp.	0.00pp.		
Other	164%	64%	69%	-0.95pp.	0.05pp.		
Receivable days	62	64	73	11	9		
Inventory days	37	47	48	10	0		
Payable days	42	47	44	2	-3		
Cash conversion cycle	57	64	77	20	13		

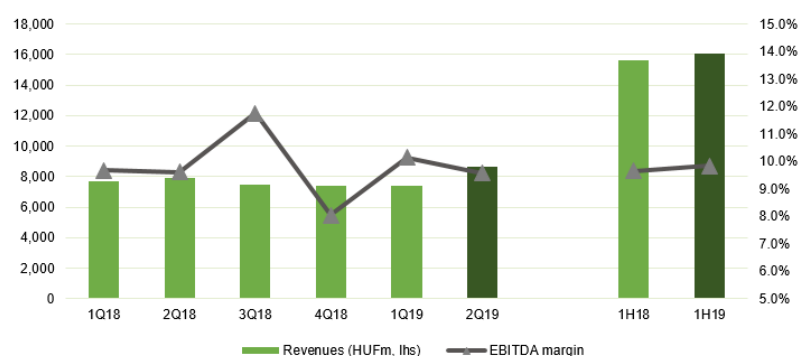
Source: Company data, WOOD Research

The company reported EBITDA of HUF 829m, 8.8% higher than the same quarter last year, and 11.2% above our expectations. The margin for the quarter was 9.6%, slightly better than our expectation of 9.3%, due to a better performance on material and personnel expenses. While the margin for the first half of the year, at 9.8%, is below our full-year target of 11%, in absolute terms, the EBITDA is on track to meet our full-year target, representing 52% in the year-to-date.

The net income for the quarter was reported at HUF 336m, up 10% yoy and 12% above our expectations, at a margin of 3.9%, in line with the same quarter last year and marginally above our expectations. Net income followed the EBITDA trend, with a slight erosion due to higher minorities, reported at HUF 96m, vs. our expectation of HUF 61m.

The cash conversion cycle has continued to deteriorated compared to previous quarters, with both receivables and inventory days increasing, to a total days of 77 vs. 64 in 1Q19, resulting in an increase in the leverage ratio to 2.2x net debt/EBITDA, from 2x in 1Q19 and 1.1x in the same quarter last year.

ANY PLC: revenues and EBITDA margins (rhs)



Source: WOOD Research, company data

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Year	Sales (HUF m)	EBITDA (HUF m)	EBIT (HUF m)	Net income (HUF m)	EPS (HUF)	P/E (x)	EV/EBITDA (x)	DPS (HUF)	Dividend yield
2016	24,911	2,977	1,969	1,202	81.3	13.2	6.6	65.0	6.1%
2017	26,181	3,068	1,998	1,040	70.3	19.0	8.3	84.0	6.3%
2018	30,527	2,986	1,853	1,140	77.1	16.9	8.2	79.0	6.1%
2019E	27,830	3,049	1,931	1,243	84.0	15.5	8.3	78.1	6.0%
2020E	27,247	3,060	1,926	1,190	80.5	16.2	8.3	84.0	6.4%
2021E	28,204	3,290	2,139	1,321	89.3	14.6	7.7	80.5	6.2%

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Benefit Systems	2
Bogdanka	5
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Santander Bank Polska	5
CCC	5
CD Projekt	5
CEZ	5
Ciech	5
CME	5
Cyfrowy Polsat	5
Dino	5
DO&CO	5
Electrica	5
Enea	5
Energia	5
Erste Group Bank	5
Eurobank	4
Eurocash	2, 4, 5
Famur	1, 2, 3
Fortuna	5
Fondul Proprietatea	4, 5
Getin Noble Bank	5
Graphisoft Park	5
GTC	5
ING BSK	5
Inter Cars	5
JSW	5
Kazatomprom	5
Kernel	5
Kety	5

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KGHM	5
Kofoola CS	1, 2, 3, 5
Komerční	4, 5
Kruk	5
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LPP	5
mBank	5
MedLife	2, 4
MONETA Money Bank	5
NLB Group	1, 2, 3
O2 Czech Republic	4, 5
OMV Petrom	5
Orange PL	5
Pekao	4, 5
PGE	5
PGNIG	5
Philip Morris CR	5
PKN Orlen	5
PKO BP	4, 5
PKP Cargo	5
Purcari Wineries	4
PZU	4, 5
Romgaz	5
Santander Bank Polska	5
Siauliu Bankas	4, 6
SIF-1	2, 4
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