

Comp S.A.



Price target: PLN 95.80

Update

Rating: BUY

Comp's (CMP) 9M/21 results were weaker-than-expected, however the company's trailing P/E 2021E is at 8.3x and thus very attractive. We have lowered our estimates in order to account mainly for limited possibility of on-site implementation work due to COVID-19 and problems with the availability of electronic components, which are an issue for peers too. In the 9M/21 report, we like especially the significant improvement of operating cash flow q-o-q (PLN 65m vs. PLN 8.2m after H1/21) and net debt (PLN 141.5m vs. PLN 197.1m). The already installed >310,000 proprietary online cash registers in Poland allow CMP to provide high-margin value-added services to traditional shop owners through its digital services platform M/Platform, which we expect to grow from PLN 12m revenues and 12,500 shops in 2021E to PLN 26.3m and 17,000 in 2022E respectively. As additional growth triggers in the next 1-2 years, we regard a potential next stage of online fiscalisation in Poland and CMP's potential participation in the online fiscalisation in Kenya. Our 12-months SOTP-based fair value for Comp's shares goes down from previously PLN 98 to PLN 95.80, which still implies a 84.2% upside at present. On our estimates, the stock is currently trading at an EV/EBITDA 2021E & 2022E of 4.1x and 4.8x.

In our view, management should consider dividing CMP into two listed companies – one offering IT security and one with fiscal equipment incl. M/Platform - which would increase the value of the whole group. In 9M/21, the main driver of results was the Retail segment (Revenues: +57.7% y-o-y to PLN 372.1m; EBIT margin: 16.9% vs. 10.9% last year), but IT also performed well in terms of revenues (+19% to PLN 208.9m). Positive was the strong improvement of operating cash flow in Q3/21 and the corresponding increase of cash q-o-q to PLN 40.7m (30/06/2021: PLN 33.8m).

In Nov, Comp's IT segment had a backlog of PLN 325m, PLN -5m y-o-y, but PLN +50m vs. Sep 2021. Issues are delays of projects and delivery of necessary components due to COVID-19. In fiscal equipment, CMP sees potential sales of additional c. 1.4m online cash registers in Poland in the coming years and c. 500,000 in Kenya if the company is to be allowed to participate in the fiscalisation there.

in PLNm	2019	2020	2021E	2022E	2023E	2024E
Net sales	730.55	720.88	938.63	795.37	837.00	896.07
EBITDA	92.72	77.24	110.39	94.31	104.24	120.35
EBIT	54.15	33.75	62.55	46.42	56.30	72.36
Adj. Net income*	30.61	18.14	44.16	31.50	40.19	53.90
Adj. EPS*	5.33	3.07	7.46	5.32	6.79	9.11
DPS	0.00	3.00	5.00	5.00	5.00	5.00
Dividend yield	0.00%	5.77%	9.62%	9.62%	9.62%	9.62%
RoE	3.82%	3.02%	8.49%	5.84%	7.36%	9.57%
Net gearing	45.51%	30.81%	25.00%	23.00%	20.91%	16.52%
EV/Sales	0.61x	0.62x	0.48x	0.56x	0.54x	0.50x
EV/EBITDA	4.85x	5.82x	4.07x	4.76x	4.31x	3.73x
Adj. P/E*	9.76x	16.96x	6.97x	9.77x	7.66x	5.71x

* 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.

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

Share information

Last price	52.00
No of shares (m)	5.92
Market cap. (PLNm)	307.75
Market cap. (EURm)	66.99
52-week range	PLN 64.60 / PLN 50.50
Avg. volume (3-months)	4,427

Performance

4-weeks	-11.07%
13-weeks	-16.01%
26-weeks	-12.97%
52-weeks	0.30%
YTD	-0.44%

Shareholder structure

Own shares*	19.20%
MetLife Pension Fund	16.22%
NN Pension Fund	9.45%
Funds repres. by AgioFunds TFI	8.49%
Robert Tomaszewski (CEO)	5.13%
Free Float	41.51%

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

Financial calendar

Annual Report 2021 (exp.)	April 29, 2022
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Analyst

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9M/21 results

Revenues and Profitability

In 9M/21, Comp generated the best results in its history. Revenues reached PLN 579.8m and were 41.6% above last year. While the Retail segment (incl. M/Platform) improved its revenues by 57.7% y-o-y to PLN 372.1m and EBIT margin from 10.9% to 16.9%, the IT segment slowed down in Q3/21 compared to H1/21 due to project delays and issues with the delivery and availability of electronic components. In our view, the M/Platform contributed c. PLN 9m of revenues between Jan-Sep 2021.

In 9M/21, domestic clients accounted for 94.2% of total revenues compared to 93.5% in Jan-Sep 2020 due to very strong sales of fiscal equipment in Poland this year. The two best-performing subsidiaries were the IT security company Enigma (Sales: +27.2% y-o-y, EBIT: +320%) and Elzab (Sales: +70.3% y-o-y, EBIT: +483.3%), which produces fiscal devices.

in PLNm	9M/21	9M/20
Segment Retail*	372.13	235.92
<i>Share in total sales</i>	64.2%	57.6%
EBIT margin	16.9%	10.9%
Segment IT	208.91	175.54
<i>Share in total sales</i>	36.0%	42.9%
EBIT margin	4.3%	4.8%
Others	-1.27	-2.12
<i>Share in total sales</i>	-0.2%	-0.5%
EBIT margin	1302.6%	777.2%
Total sales	579.77	409.35

* incl. results of M/Platform

Source: Company information, East Value Research GmbH

Name of the subsidiary	Comp Group's stake	9M/21		
		Revenues	EBIT	Net income
Comp S.A. (holding company)	100.0%	PLN 353.4m	PLN 42.5m	PLN 35.2m
Enigma Systemy Ochrony Informacji Sp. z.o.o	100.0%	PLN 85.1m	PLN 8.4m	PLN 5.6m
ZUK Elzab S.A.	78.4%	PLN 135.7m	PLN 17.5m	PLN 5.6m
Insoft Sp. z.o.o	52.0%	PLN 5.1m	PLN 1.2m	PLN 1m
Comp Centrum Innowacji Sp. z.o.o	50.1%	PLN 14.9m	PLN -13.8m	PLN -16.3m
Polski System Korzysci Sp. z.o.o	100.0%	PLN 132k	PLN -654k	PLN -660k
Clou Sp. z.o.o*	43.0%	-	PLN -203k	PLN -203k
PayTel S.A.**	10.8%	PLN 53.9m	PLN -801k	PLN -829k

* Clou was liquidated in H1/21

** The remaining stake in PayTel was sold in H1/21

Source: Company information, East Value Research GmbH

in PLNm	9M/21	9M/20	change y-o-y
Net sales	579.77	409.35	41.6%
EBITDA	89.90	49.09	83.1%
<i>EBITDA margin</i>	<i>15.5%</i>	<i>12.0%</i>	
EBIT	55.31	17.64	213.6%
<i>EBIT margin</i>	<i>9.5%</i>	<i>4.3%</i>	
Net income (after min. but excl. disc. operat.)	36.81	8.01	359.6%
<i>Net margin</i>	<i>6.3%</i>	<i>2.0%</i>	
Net income (after min. & disc. operat.)	37.21	5.89	532.1%
<i>Net margin</i>	<i>6.4%</i>	<i>1.4%</i>	

Source: Company information, East Value Research GmbH

Due to very strong profitability of its Retail segment Comp's EBIT improved from PLN 17.6m in 9M/20 to PLN 55.3m. Although gross margin in Q3/21 was much weaker y-o-y (26.2% vs. 31.3%) due to, we believe, higher prices of components, in 9M/21 it was above last year (30.9% vs. 30.4%). At the end of September 2021, the company had 1,217 full-time employees (31/12/2020: 1,207) on average.

Net income after minorities and discontinued operations (PLN 37.2m vs. PLN 5.9m in 9M/20) increased even more than EBIT due to 1) a much lower effective tax rate of 25.8% vs. 49% in 9M/20, and 2) a profit from discontinued operations (subsidiary PayTel that was completely sold in Q2/21 with total sale price of PLN 41.1m + abandoned electric scooter business of subsidiary Enigma in Wroclaw) of PLN 401k vs. (9M/20: PLN -2.1m).

Balance sheet and Cash flow

At the end of September 2021, Comp had equity (excl. minority interests) of PLN 535.4m, or 58.9% of the balance sheet total. As of 30/09/2021, fixed and intangible assets equalled PLN 64.4m (9M/20: PLN 68.1m) and PLN 206.5m (PLN 189.1m) respectively. Working capital was worth PLN 127.3m (PLN 201.2m) and thus lower y-o-y as in Jan-Jul 2021 was the peak of sales of fiscal equipment. Interest-bearing debt (bank loans, leasing, bonds) of PLN 182.2m (thereof: 90.2% short term) was much lower q-o-q (PLN 230.9m) and compared to 9M/20 (PLN 278.7m).

Between January and September 2021, Comp generated an operating cash flow of PLN 65m compared to PLN 8.2m in H1/21 and PLN 13.7m in 9M/20. The main reason was a much higher EBIT y-o-y. Cash flow from investing equalled PLN -27.5m (9M/20: PLN -20.6m), while cash flow from financing amounted to PLN -43.5m (PLN 1.2m) because the company used the cash from sales of fiscal equipment to pay out a dividend and repay interest-bearing debt as promised earlier by management. Between January and September 2021, Comp's cash position declined by PLN 6m to PLN 40.7m.

Financial forecasts

Revenues and Profitability

We have lowered our estimates for 2021E as the pandemic has made implementation work at clients' premises more difficult, has delayed IT projects and the delivery of electronic components by suppliers. Moreover, the roll-out of M/Platform has not been as fast as we had previously expected. Consequently, in full-year 2021E we now forecast revenues of PLN 938.6m (+30.2% y-o-y; previously: PLN 953.1m), EBIT of PLN 62.5m (+85.3%; PLN 69.7m) and net income after minorities but excluding the result from discontinued operations of PLN 44.2m (+143.4%; PLN 51.8m).

In our view, Comp's management should consider dividing CMP in two listed entities: One providing IT security solutions and one offering fiscal equipment & M/Platform. We believe that this would make the valuation of both business areas easier and result in a significantly higher valuation of the whole Comp Group. Good examples of successful spin-offs from the Warsaw Stock Exchange include Ryvu Therapeutics & Selvita and ATM & Atende.

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

Retail segment (excl. M/Platform): In mid-2021, the last stage of online fiscalisation in Poland was completed. According to Comp, there are currently >710,000 online fiscal devices (out of a total number of fiscal registers of c. 2.2m), thereof >310,000 of the company. In the coming years, c. 1.4m registers could additionally be replaced in Poland. In addition, Comp could potentially participate in the online fiscalisation in Kenia (total market: c. 500,000 fiscal registers), which could start as soon as in mid-2022E.

We have maintained our sales forecast for 2021E of PLN 474m but increased the EBIT margin to 15.1% (14.5%) following the 9M/21 report. Due to the high base in 2021E we expect 34.9% lower sales in 2022E at an EBIT margin of 14.3%. However, there could be a positive impact from online fiscalisation in Kenia.

According to the company's 9M/21 presentation, there is great potential for selling value-added services for online cash registers such as e-invoices or electronic payment infrastructure in the long run. However, due to low visibility we have decided not to include them in our forecasts.

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. So far, Comp has already acquired >12,000 shops (c. PLN 20bn of yearly sales) from all regions and all types of municipalities as well as c. 20 FMCG producers as clients e.g. Unilever, Nestle, PepsiCo, Danone Waters, Imperial Tobacco.

Currently, the potential market in Poland is estimated by Comp at >37,000 shops, where the company's fiscal devices are used.

The data that has been collected by Comp since the launch of M/Platform in 2019 suggests that retailers, which use the M/Platform module M/Promo+, grow 4.5% faster than average y-o-y and are almost 8x less likely to close shop. Manufacturers, which are active in M/Promo+, increase their share in the promoted category by c. 1% and this effect is long lasting.

We have lowered our estimates for M/Platform as its roll-out was slower than expected in 9M/21 due to in our view (1) a focus on sales of fiscal devices in Poland this year, and (2) slower than expected integration of beer producers with the platform. In 2021E, we now expect 12,500 shops (previously: 16,000) on the platform and a transaction volume of PLN 800m (PLN 1bn) that should translate into revenues of PLN 12m (PLN 15m). For next year, the respective figures are 17,000 shops (24,000), a transaction volume of PLN 1.75bn (PLN 3bn) and revenues of PLN 26.3m (PLN 45m). While this year the EBIT margin should still be negative at -9% (-2%), next year it should reach positive territory and equal 0.1% (5%). In the long run, the platform, to which more and more modules are being added, should grow at a CAGR of 54% (56.8%) and generate operating margins of c. 25% (c. 25%).

IT segment: Like all IT integrators, Comp is suffering from project delays and shortages of electronic components. We expect that this situation will continue until the end of Q4/21E and thus have lowered our estimates. Given a PLN 325m backlog in November, we now expect 2021E sales of PLN 454.8m (+19% y-o-y; previously: PLN 466.3m) and an EBIT margin of 3.2% (5.1%). For 2022E, we have conservatively assumed sales of PLN 463.9m (+2%; previously: PLN 475.6m) and an EBIT margin of 5% (5.9%).

According to the company's 9M/21 presentation, in the long run Comp's strategy for its IT segment is to increase the share of services, proprietary products and repeatable contracts (e.g. related to encryptors and SDE) in total sales. In our opinion, this should have a positive impact on margins and lower the volatility of results.

in PLNm	2021E	2022E	2023E	2024E
Segment Retail (excl. M/Platform)	474.00	308.40	310.20	312.00
<i>Share in total sales</i>	<i>50.5%</i>	<i>38.8%</i>	<i>37.1%</i>	<i>34.8%</i>
EBIT margin	15.1%	14.3%	14.1%	13.9%
Number of fiscal equipment sold	230,000	138,000	139,000	140,000
Average price (PLN)	1,800	1,800	1,800	1,800
Service & maintenance (PLNk)	60,000	60,000	60,000	60,000
M/Platform	12.00	26.25	57.00	105.00
<i>Share in total sales</i>	<i>1.3%</i>	<i>3.3%</i>	<i>6.8%</i>	<i>11.7%</i>
EBIT margin	-9.0%	0.1%	8.0%	18.5%
Number of shops	12,500	17,000	25,000	31,000
Number of FMCG producers	20	30	40	50
Transaction volume (PLNk)	800,000	1,750,000	3,800,000	7,000,000
% fee	1.5%	1.5%	1.5%	1.5%
Segment IT	454.83	463.92	473.20	482.67
<i>Share in total sales</i>	<i>48.5%</i>	<i>58.3%</i>	<i>56.5%</i>	<i>53.9%</i>
EBIT margin	3.2%	5.0%	5.8%	5.7%
Others	-2.20	-3.20	-3.40	-3.60
Total sales	938.63	795.37	837.00	896.07
change y-o-y	30.2%	-15.3%	5.2%	7.1%

Source: East Value Research GmbH

in PLNm	2021E		2022E		2023E		2024E	
	new	old	new	old	new	old	new	old
Net sales	938.63	953.09	795.37	825.82	837.00	881.93	896.07	953.23
EBITDA	110.39	117.55	94.31	101.36	104.24	111.62	120.35	139.12
<i>EBITDA margin</i>	<i>11.8%</i>	<i>12.3%</i>	<i>11.9%</i>	<i>12.3%</i>	<i>12.5%</i>	<i>12.7%</i>	<i>13.4%</i>	<i>14.6%</i>
EBIT	62.55	69.71	46.42	53.47	56.30	63.68	72.36	91.13
<i>EBIT margin</i>	<i>6.7%</i>	<i>7.3%</i>	<i>5.8%</i>	<i>6.5%</i>	<i>6.7%</i>	<i>7.2%</i>	<i>8.1%</i>	<i>9.6%</i>
Net income (after min. but excl. disc. operat.)	44.16	51.77	31.50	38.61	40.19	47.56	53.90	70.50
<i>Net margin</i>	<i>4.7%</i>	<i>5.4%</i>	<i>4.0%</i>	<i>4.7%</i>	<i>4.8%</i>	<i>5.4%</i>	<i>6.0%</i>	<i>7.4%</i>
Net income (after minorities and disc. operat.)	44.57	53.77	31.50	38.61	40.19	47.56	53.90	70.50
<i>Net margin</i>	<i>4.7%</i>	<i>5.6%</i>	<i>4.0%</i>	<i>4.7%</i>	<i>4.8%</i>	<i>5.4%</i>	<i>6.0%</i>	<i>7.4%</i>

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	Q1/21	Q2/21	Q3/21	Q4/21E	2021E
Net sales	120.33	147.13	183.57	279.52	730.55	141.28	111.61	156.51	311.48	720.88	171.43	245.46	162.88	358.85	938.63
<i>change y-o-y</i>	<i>0.4%</i>	<i>-7.1%</i>	<i>20.0%</i>	<i>13.3%</i>	<i>7.8%</i>	<i>17.4%</i>	<i>-24.1%</i>	<i>-14.7%</i>	<i>11.4%</i>	<i>-1.3%</i>	<i>21.3%</i>	<i>119.9%</i>	<i>4.1%</i>	<i>15.2%</i>	<i>30.2%</i>
EBITDA	14.45	25.38	26.36	26.53	92.72	23.83	4.18	21.05	28.18	77.24	27.24	43.50	18.34	21.31	110.39
<i>EBITDA margin</i>	<i>12.0%</i>	<i>17.3%</i>	<i>14.4%</i>	<i>9.5%</i>	<i>12.7%</i>	<i>16.9%</i>	<i>3.7%</i>	<i>13.4%</i>	<i>9.0%</i>	<i>10.7%</i>	<i>15.9%</i>	<i>17.7%</i>	<i>11.3%</i>	<i>5.9%</i>	<i>11.8%</i>
EBIT	6.00	15.85	16.44	15.86	54.15	13.41	-6.21	10.01	16.54	33.75	15.45	31.89	6.76	8.45	62.55
<i>EBIT margin</i>	<i>5.0%</i>	<i>10.8%</i>	<i>9.0%</i>	<i>5.7%</i>	<i>7.4%</i>	<i>9.5%</i>	<i>-5.6%</i>	<i>6.4%</i>	<i>5.3%</i>	<i>4.7%</i>	<i>9.0%</i>	<i>13.0%</i>	<i>4.1%</i>	<i>2.4%</i>	<i>6.7%</i>
Net income	0.49	2.09	8.12	7.90	18.59	4.26	-3.70	5.33	9.33	15.22	10.65	23.29	3.27	7.37	44.57
<i>Net margin</i>	<i>0.4%</i>	<i>1.4%</i>	<i>4.4%</i>	<i>2.8%</i>	<i>2.5%</i>	<i>3.0%</i>	<i>-3.3%</i>	<i>3.4%</i>	<i>3.0%</i>	<i>2.1%</i>	<i>6.2%</i>	<i>9.5%</i>	<i>2.0%</i>	<i>2.1%</i>	<i>4.7%</i>

Source: Company information, East Value Research GmbH

CAPEX and Working capital

We have kept our estimates for total gross CAPEX (= mainly investments in own software) in 2021E-2023E and in the long run more or less unchanged. We believe that they will amount to PLN 142.3m in 2021-2023E and in the long run equal c. 4% of CMP's yearly sales.

We still expect that CMP's working capital to sales ratio will decline from 15% in 2020 to c. 12% due to better working capital management. Regarding the cash conversion cycle, we forecast that it will remain at c. 60 days in the future.

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 50% in order to account for uncertainty. Our model accounts for the 1.14m shares, which have been bought back by Comp in the last years. Our updated valuation model results in a new 12-months PT of PLN 95.80 compared to PLN 98 before. With an upside of 84.2% at present, our BUY rating remains unchanged.

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 2.26% (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 1.5x (Source: www.damodaran.com)
- (3) *Target equity ratio*: 80%
- (4) *Levered beta*: 1.8x
- (5) *Equity costs*: 12.3%
- (6) *Equity risk premium (Poland)*: 5.54% (Source: www.damodaran.com)
- (7) *WACC*: 10.2%
- (8) *Sales growth in the terminal period*: 2%
- (9) Free cash flows are discounted to 8 December 2021

Sum-of-the Parts

We have valued all of Comp's business segments separately: (1) IT segment – based on peer group multiples for 2020-22E 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 147.3m	PLN 458.5m
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 2020, 88.3% of its sales stemmed from abroad and 79% from own products.	PLN 7.3bn	PLN 12.2bn
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 c. 17% of the company's total sales.	PLN 1.8bn	PLN 1.5bn
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 168.6m	PLN 260.1m
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 97.7m	PLN 43m

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
	2020	2021E	2022E	2020	2021E	2022E	Latest	Last FY	Latest
Wasko S.A. (PLN)	0.30x	n.a	n.a	7.95x	n.a	n.a	0.61x	6.35%	-4.58%
Asseco Poland S.A. (PLN)	0.65x	0.57x	0.54x	6.54x	5.64x	5.59x	1.17x	15.77%	10.65%
Comarch S.A. (PLN)	0.98x	0.95x	0.91x	8.05x	8.95x	9.23x	1.54x	18.08%	-22.82%
Atende S.A. (PLN)	0.70x	0.79x	n.a	3.42x	12.57x	n.a	2.48x	25.46%	20.12%
Passus S.A. (PLN)	2.12x	n.a	n.a	25.98x	n.a	n.a	6.04x	12.94%	-42.43%
Median	0.70x	0.79x	0.73x	7.95x	8.95x	7.41x			
Implied EV Comp S.A. - IT segment (PLN)	267.93	360.56	336.43	178.55	130.27	171.81			
Fair Enterprise Value - IT segment	240.93								

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

The valuation of Comp's IT segment is based on 2020 results, our estimates for 2021E-22E and median consensus multiples of Wasko, Asseco Poland, Comarch, Atende and Passus. It results in a Fair Enterprise Value of PLN 240.9m.

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 10.2%, 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 236.5m.

in PLNm	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Net sales	474.00	308.40	310.20	312.00	313.80	315.60	317.40	319.20	321.00
(y-o-y change)	38.0%	-34.9%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Operating profit	71.57	44.19	43.83	43.46	43.08	42.70	41.36	40.00	39.35
(operating margin)	15.1%	14.3%	14.1%	13.9%	13.7%	13.5%	13.0%	12.5%	12.3%
NOPAT	57.97	35.80	35.50	35.20	34.90	34.59	33.50	32.40	31.88
+ Depreciation & amortisation	21.50	21.72	21.93	22.15	22.37	22.60	22.82	23.05	23.28
= Net operating cash flow	79.47	57.51	57.44	57.36	57.27	57.18	56.32	55.45	55.16
- Total investments (Capex and WC)	-31.93	-28.50	-28.76	-29.02	-29.28	-29.54	-29.81	-30.07	-30.34
Capital expenditures	-21.50	-21.72	-21.93	-22.15	-22.37	-22.60	-22.82	-23.05	-23.28
Working capital	-10.43	-6.78	-6.82	-6.86	-6.90	-6.94	-6.98	-7.02	-7.06
= Free Cash Flow (FCF)	47.55	29.01	28.68	28.34	28.00	27.64	26.52	25.37	24.82
PV of FCFs	47.26	26.16	23.47	21.04	18.86	16.90	14.71	12.77	11.34
PV of FCFs in explicit period	192.52								
PV of FCFs in terminal period	43.93								
Enterprise Value (EV)	236.45								
WACC	10.2%								
Cost of equity	10.2%								
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 6.8bn	CNY 1.2bn
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 1bn	TWD 815.7m
Lightspeed Commerce 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 9.2bn	CAD 279.8m
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. Internationally, its installed base is >240,000 cash registers in >30 countries. 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 57.9m	EUR 28.8m

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
	2020	2021E	2022E	2020	2021E	2022E	Latest	Last FY	Latest
Urovo Technology Co. Ltd. (CNY)	5.51x	4.20x	3.13x	41.33x	n.a	n.a	4.05x	13.33%	-24.87%
Uniform Industrial Corp. (TWD)	0.98x	n.a	n.a	n.a	n.a	n.a	1.35x	-0.69%	-29.08%
Lightspeed Commerce Inc. (CAD)	28.63x	11.92x	8.88x	n.a	n.a	n.a	3.05x	-39.75%	-36.95%
Vectron Systems AG (EUR)	1.53x	1.04x	0.96x	n.a	8.13x	6.53x	2.28x	-7.47%	-55.18%
Median	3.52x	4.20x	3.13x	41.33x	8.13x	6.53x	2.66x		
Comp S.A. (PLN)*	0.54x	0.42x	0.49x	5.05x	3.53x	4.14x	0.46x	10.72%	26.43%
Premium/discount	-84.6%	-90.1%	-84.3%	-87.8%	-56.5%	-36.6%	-82.6%		

* excl. 1.14m own shares

Source: CapitalIQ, East Value Research GmbH

Our analysis shows that Comp is currently trading at a 36%-90% 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 = 10.2% and assumed Depreciation & Amortisation of c. 10% 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 388.8m.

in PLNm	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Net sales	12.00	26.25	57.00	105.00	135.00	165.00	195.00	225.00	255.00
(y-o-y change)	128.6%	118.8%	117.1%	84.2%	28.6%	22.2%	18.2%	15.4%	13.3%
Operating profit	-1.08	0.03	4.56	19.43	33.75	40.43	46.80	52.88	59.15
(operating margin)	-9.0%	0.1%	8.0%	18.5%	25.0%	24.5%	24.0%	23.5%	23.2%
NOPAT	-0.87	0.02	3.69	15.73	27.34	32.74	37.91	42.83	47.91
+ Depreciation & amortisation	7.90	11.85	13.63	15.67	18.02	20.73	22.49	24.40	26.47
= Net operating cash flow	7.03	11.87	17.32	31.41	45.36	53.47	60.40	67.23	74.38
- Total investments (Capex and WC)	-7.90	-11.85	-13.63	-15.67	-18.02	-20.73	-22.49	-24.40	-26.47
Capital expenditures	-7.90	-11.85	-13.63	-15.67	-18.02	-20.73	-22.49	-24.40	-26.47
Working capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
= Free Cash Flow (FCF)	-0.87	0.02	3.69	15.73	27.34	32.74	37.91	42.83	47.91
PV of FCFs	-0.87	0.02	3.02	11.68	18.42	20.02	21.03	21.56	21.88
PV of FCFs in explicit period	116.77								
PV of FCFs in terminal period	272.03								
Enterprise Value (EV)	388.80								
WACC	10.2%								
Cost of equity	10.2%								
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

Sum-of-the-Parts	
IT segment	240.93
Retail segment	236.45
M/Platform (CMP's economic interest = 74%)*	287.71
Sum of Enterprise Values (PLNm)	765.09
- Net debt (30/09/2021)	-141.50
Implied Equity Value (PLNm)	623.59
Implied Equity Value (with 50% discount)	415.73
Number of shares less 1.14m own shares	4.78
Implied Equity Value per share (PLN)	86.92
Implied Equity Value per share (in 12 months)	95.80

* own calculation based on our recent 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	2021E	2022E	2023E	2024E
Revenues	730.55	720.88	938.63	795.37	837.00	896.07
Cost of goods sold	-463.35	-480.33	-619.49	-491.54	-512.24	-545.70
Gross profit	267.20	240.54	319.13	303.83	324.76	350.36
Other operating income	7.71	17.60	9.33	9.52	9.71	9.90
Distribution costs	-96.35	-91.33	-116.39	-98.63	-103.79	-111.11
Administration costs	-72.49	-71.11	-84.48	-71.58	-75.33	-80.65
Other operating expenses	-13.35	-18.47	-17.21	-48.83	-51.10	-48.16
EBITDA	92.72	77.24	110.39	94.31	104.24	120.35
Depreciation & amortisation	-38.57	-43.49	-47.84	-47.89	-47.94	-47.98
EBIT	54.15	33.75	62.55	46.42	56.30	72.36
Net financial result	-15.14	-7.28	-8.00	-7.00	-6.00	-5.00
EBT	39.01	26.48	54.55	39.42	50.30	67.36
Income taxes	-8.85	-10.28	-10.36	-7.49	-9.56	-12.80
Minorities	0.45	1.95	-0.02	-0.43	-0.56	-0.67
Result from discontinued operations (PayTel S.A.)	-12.03	-2.93	0.41	0.00	0.00	0.00
Adj. Net income / loss (excl. discount. operat.)	30.61	18.14	44.16	31.50	40.19	53.90
Net income / loss	18.59	15.22	44.57	31.50	40.19	53.90
EPS	3.89	2.57	7.53	5.32	6.79	9.11
Adj. EPS	5.33	3.07	7.46	5.32	6.79	9.11
DPS	0.00	3.00	5.00	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 %	-66.63 %	-66.00 %	-61.80 %	-61.20 %	-60.90 %
Gross profit	36.57 %	33.37 %	34.00 %	38.20 %	38.80 %	39.10 %
Other operating income	1.06 %	2.44 %	0.99 %	1.20 %	1.16 %	1.10 %
Distribution costs	-13.19 %	-12.67 %	-12.40 %	-12.40 %	-12.40 %	-12.40 %
Administration costs	-9.92 %	-9.86 %	-9.00 %	-9.00 %	-9.00 %	-9.00 %
Other operating expenses	-1.83 %	-2.56 %	-1.83 %	-6.14 %	-6.11 %	-5.37 %
EBITDA	12.69 %	10.72 %	11.76 %	11.86 %	12.45 %	13.43 %
Depreciation & amortisation	-5.28 %	-6.03 %	-5.10 %	-6.02 %	-5.73 %	-5.36 %
EBIT	7.41 %	4.68 %	6.66 %	5.84 %	6.73 %	8.08 %
Net financial result	-2.07 %	-1.01 %	-0.85 %	-0.88 %	-0.72 %	-0.56 %
EBT	5.34 %	3.67 %	5.81 %	4.96 %	6.01 %	7.52 %
Income taxes	-1.21 %	-1.43 %	-1.10 %	-0.94 %	-1.14 %	-1.43 %
Minorities	0.06 %	0.27 %	0.00 %	-0.05 %	-0.07 %	-0.07 %
Result from discontinued operations (PayTel S.A.)	-1.65 %	-0.41 %	0.04 %	0.00 %	0.00 %	0.00 %
Adj. Net income / loss (excl. discount. operat.)	4.19 %	2.52 %	4.71 %	3.96 %	4.80 %	6.01 %
Net income / loss	2.54 %	2.11 %	4.75 %	3.96 %	4.80 %	6.01 %

Balance Sheet

in PLNm	2019	2020	2021E	2022E	2023E	2024E
Assets						
Cash and equivalents	53.09	46.64	25.94	15.82	4.42	4.18
Short-term financial assets	2.30	2.46	2.51	2.56	2.61	2.66
Inventories	82.75	97.25	101.83	85.72	88.98	94.41
Trade accounts and notes receivables	261.52	173.29	180.01	150.90	157.08	166.32
Other current assets	34.16	38.92	37.55	31.66	33.15	35.30
Short-term part of construction contracts	24.51	42.88	36.44	30.98	26.33	22.38
Assets-held-for-sale	1.41	0.71	0.00	0.00	0.00	0.00
Current assets, total	459.74	402.14	384.28	317.63	312.56	325.26
Property, plant and equipment	90.14	71.26	64.43	64.43	64.43	64.43
Other intangible assets	183.11	200.89	206.89	206.99	207.09	207.19
Goodwill	272.80	272.80	272.80	272.80	272.80	272.80
Long-term financial assets	2.37	20.87	20.25	20.65	21.06	21.49
Other long-term assets	15.36	12.27	12.52	12.77	13.03	13.29
Long-term part of construction contracts	13.75	14.87	4.70	4.90	5.10	5.30
Deferred tax assets	5.74	0.92	1.10	0.00	0.00	0.00
Non-current assets, total	583.26	593.88	582.68	582.54	583.51	584.49
Total assets	1043.01	996.02	966.96	900.17	896.07	909.75
Liabilities						
Trade payables	125.62	132.17	101.83	80.80	84.20	89.70
Other short-term liabilities	53.37	69.18	89.14	74.74	77.82	82.41
Short-term financial debt	215.99	174.62	154.62	134.62	114.62	94.62
Provisions	32.09	24.07	19.00	17.00	15.00	13.00
Current liabilities, total	427.07	400.05	364.60	307.16	291.64	279.74
Long-term financial debt	65.35	32.14	8.50	8.08	7.67	7.29
Other long-term liabilities	15.78	13.41	17.47	14.80	15.57	16.67
Provisions	1.84	2.04	1.94	1.84	1.74	1.64
Deferred tax liabilities	6.78	9.27	8.50	0.00	0.00	0.00
Long-term liabilities, total	89.75	56.86	36.40	24.71	24.99	25.60
Total liabilities	516.82	456.90	401.00	331.88	316.63	305.34
Shareholders equity, total	496.55	511.80	538.61	540.52	551.11	575.41
Minority interests	29.64	27.32	27.34	27.77	28.33	29.00
Total equity and liabilities	1043.01	996.02	966.96	900.17	896.07	909.75

Cash Flow Statement

in PLNm	2019	2020	2021E	2022E	2023E	2024E
Net income / loss	18.59	15.22	44.57	31.50	40.19	53.90
Depreciation	38.57	43.49	47.84	47.89	47.94	47.98
Change of working capital	-86.92	48.08	-20.31	15.68	-4.45	-6.75
Others	37.25	-2.09	6.12	9.50	2.10	2.10
Net operating cash flow	7.48	104.69	78.22	104.57	85.78	97.24
Cash flow from investing	-23.08	-31.75	-46.30	-47.99	-48.04	-48.09
Free cash flow	-15.59	72.95	31.92	56.58	37.74	49.15
Cash flow from financing	14.89	-79.39	-52.63	-66.69	-49.14	-49.39
Change of cash	-0.71	-6.44	-20.70	-10.12	-11.40	-0.24
Cash at the beginning of the period	53.79	53.09	46.64	25.94	15.82	4.42
Cash at the end of the period	53.09	46.64	25.94	15.82	4.42	4.18

Financial ratios

Fiscal year	2019	2020	2021E	2022E	2023E	2024E
Profitability and balance sheet quality						
Gross margin	36.57%	33.37%	34.00%	38.20%	38.80%	39.10%
EBITDA margin	12.69%	10.72%	11.76%	11.86%	12.45%	13.43%
EBIT margin	7.41%	4.68%	6.66%	5.84%	6.73%	8.08%
Net margin	2.54%	2.11%	4.75%	2.70%	4.80%	6.01%
Return on equity (ROE)	3.82%	3.02%	8.49%	5.84%	7.36%	9.57%
Return on assets (ROA)	3.23%	2.26%	5.44%	4.28%	5.15%	6.47%
Return on capital employed (ROCE)	6.80%	3.46%	8.41%	6.34%	7.55%	9.30%
Economic Value Added (in PLNm)	-20.99	-40.18	-10.81	-22.92	-16.08	-5.68
Net debt (in PLNm)	225.96	157.66	134.68	124.32	115.26	95.07
Net gearing	45.51%	30.81%	25.00%	23.00%	20.91%	16.52%
Equity ratio	47.61%	51.38%	55.70%	60.05%	61.50%	63.25%
Current ratio	1.08	1.01	1.05	1.03	1.07	1.16
Quick ratio	0.74	0.56	0.57	0.55	0.56	0.62
Net interest cover	3.58	4.64	7.82	6.63	9.38	14.47
Net debt/EBITDA	2.44	2.04	1.22	1.32	1.11	0.79
Tangible BVPS	46.79	40.38	44.91	45.23	47.02	51.13
CAPEX/Sales	8.81%	5.78%	4.93%	6.03%	5.74%	5.37%
Working capital/Sales	27.30%	15.00%	13.68%	14.17%	14.00%	13.83%
Cash Conversion Cycle (in days)	97	61	70	73	72	71
Trading multiples						
EV/Sales	0.61	0.62	0.48	0.56	0.54	0.50
EV/EBITDA	4.85	5.82	4.07	4.76	4.31	3.73
EV/EBIT	8.30	13.31	7.18	9.68	7.98	6.21
P/Tangible BVPS	1.11	1.29	1.16	1.15	1.11	1.02
Adj. P/E	9.76	16.96	6.97	9.77	7.66	5.71
P/FCF	-19.74	4.22	9.64	5.44	8.15	6.26

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