

# ANY Security Printing Company

# Hold

Downgraded from Buy

Price: HUF 1,480  
Price target: HUF 1,562  
(From HUF 1,424)

## Positive fundamentals priced in now

Following our BUY recommendation and the stock price exceeding our price target (PT) in early-July 2021, we have decided to downgrade the stock to HOLD, despite increasing our 12M PT to HUF 1,562/share. In our view, the investment thesis remains unchanged and we continue to appreciate the dividend payment outlook, as we believe that ANY is likely to return to 100% payouts as of next year, with the dividend yielding as much as 8% in 2022E. We expect record-high revenues this year, due mostly to the business that ANY lost during the lockdown in 2020, which has now returned, supported by the printing of immunity certificates. Growth could continue, even after 2021E, in our view, and we expect ANY to record a revenue CAGR of 5.8% between 2020 and 2028E. Recently, management decided to sell its Bulgarian subsidiary, which operates mostly in the form production segment. This gives ANY an opportunity to reallocate its resources to more innovative and profitable solutions. While our views on ANY remain positive, the current multiples, a premium of c.29% on its 2021E EV/EBITDA vs. its peers, are too high for us to keep the stock as a Buy with high enough conviction; thus, we have downgraded it to HOLD.

**Business is back, following the pandemic in 2020.** In our [previous report](#), we argued that a portion of the revenues that ANY lost during the pandemic only shifted in time and are likely to be reported in 2021E. This seems to be materialising, as 1Q21 was very strong. We expect the strength to continue over the course of this year, also supported by one-off revenues from the printing of immunity certificates, all of which is likely to result in record-high revenues in 2021E. The growth of the business should continue even afterwards, in our view, and we expect a revenue CAGR of 5.8% between 2020 and 2028E. This should be reflected in ANY's profits and, consequently, the dividends, which are another major part of our investment thesis.

**We assume 100% payouts from 2022E, with yields averaging at c.7.4% until 2028E.** In 2020, the company cancelled its dividend payments, only to reenact them in 2021, when it paid out 156% of its 2020 earnings to shareholders in July. Going forward, we expect the company to return to its usual practice of paying out 100% of its earnings. On our numbers, ANY would then yield, on average, 7.4% in the next couple of years.

**ANY sells its Bulgarian subsidiary.** The transaction, worth EUR 2m, was announced only recently, so not many details are known yet. However, a one-off gain on the sale is likely to be booked this year, supporting the net income. At the same time, we note that the subsidiary was operating mostly in the form production segment, for which we forecast rather stagnating revenues. Therefore, if the unlocked capital is used in R&D, or any M&A in the digital space, it could help ANY move towards the segments with higher value add and growth potential. We do not reflect this in our model just yet; therefore, any announcement in this regard could generate upside for our estimates.

**Our positive take seems to be priced in at these levels.** Currently, the stock is trading at a premium of 16% vs. its peers on our 2022E P/E, vs. the historical average of 23%, but it is being reduced by the one-offs. At the same time, the fundamentals seem to be priced in, as the average upside offered by our fundamental valuation methods is close to only 1%. Therefore, at 7.5x, 8.4x and 8.6x EV/EBITDAs, on our numbers, for 2021E, 2022E and 2023E, respectively, we believe our HOLD is justified.

### Expected events

2Q21 results	12 August
3Q21 results	18 November

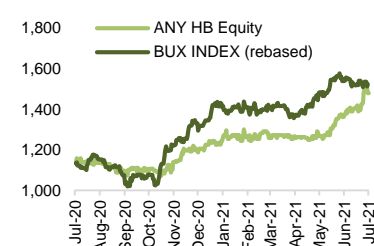
### Key data

Market Cap	USD 72m
Free float	53%
3M ADTV	USD 0.07m
Shares outstanding	14.79m
Major Shareholder	Erdős Family – c.22%
Bloomberg Code	ANY HB Equity
BUX Index	47,758.51

### Price performance

52-w range	HUF 1,070-1,510
52-w performance	30.3%
Relative performance	-4.3%

### ANY 12M share price performance



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
2019	34,131	3,372	2,083	1,273	102.9	13.5	8.1	78.5	5.6%
2020	27,424	2,995	1,497	785	72.2	19.5	10.3	0.5	0.0%
2021E	34,385	4,011	2,639	1,798	135.6	10.9	7.5	83.0	5.6%
2022E	35,729	3,621	2,240	1,500	113.9	13.0	8.4	121.6	8.2%
2023E	36,598	3,526	2,135	1,400	107.3	13.8	8.6	101.4	6.9%

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## Closing Prices as of 20 July 2021

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# Company snapshot – HOLD, PT HUF 1,562

ANY Security Printing Company		HOLD		SHARE PRICE PERFORMANCE												COMPANY DESCRIPTION																																						
Bloomberg ticker	ANY HB	1,800													ANY Security Printing Company PLC is the leading Hungarian security printing company, with significant operations in Romania and Bulgaria. The company was first established in 1851, and it has since expanded its product offering across the security printing spectrum, ranging from eIDs and passports, to bank/loyalty cards production and business/election forms. Over 2015-18, ANY grew by almost 13% per annum, reaching sales of HUF 30.5bn, with a significant part of its business (37%) in countries outside of Hungary, particularly Romania.																																							
Closing price (HUF)	1,480																																																					
Price target (HUF)	1,562																																																					
Upside to PT	6%																																																					
Shares outstanding (m)	14.79																																																					
Market cap (USD m)	72																																																					
Free float	53%																																																					
3M ADTV (USD 000)	67																																																					
52 Week performance	30.3%																																																					
52 Week relative performance	-4.3%																																																					
52 Week Range (HUF)	1,070-1,510																																																					
RATIOS																																																						
PER SHARE RATIOS (HUF)							2018						2019						2020						2021E						2022E						2023E																	
EPS	94.6	102.9	72.2	135.6	113.9	107.3	EV/EBITDA						8.8x						8.1x						10.3x						7.5x						8.4x						8.6x											
BVPS	411.7	418.6	482.2	534.8	527.2	533.1	P/E						13.7x						13.5x						19.5x						10.9x						13.0x						13.8x											
DPS	79.0	78.5	0.5	83.0	121.6	101.4	EV, EURm						26,167						27,395						30,745						30,073						30,491						30,462											
FINANCIAL RATIOS							2018						2019						2020						2021E						2022E						2023E																	
EBITDA margin	9.8%	9.9%	10.9%	11.7%	10.1%	9.6%	FCF						203						1,586						-47						2,375						1,777						1,333											
EBIT margin	6.1%	6.1%	5.5%	7.7%	6.3%	5.8%	FCF yield						0.8%						5.8%						-0.2%						7.9%						5.8%						4.4%											
Net margin	4.6%	4.5%	3.9%	5.8%	4.7%	4.3%	Dividend yield						6.1%						5.6%						0.0%						5.6%						8.2%						6.9%											
ROE	23.0%	24.6%	15.0%	25.4%	21.6%	20.1%	FCF BREAKDOWN												2018						2019						2020						2021E						2022E						2023E					
Net debt/EBITDA	2.0x	1.6x	2.5x	1.9x	2.2x	2.3x	EBIT	1,853						2,083						1,497						2,639						2,240						2,135																
Capex/depreciation	1.94x	2.18x	1.46x	1.05x	1.05x	1.05x	NOPAT	1,481						1,600						1,182						2,142						1,818						1,730																
Growth							2018						2019						2020						2021E						2022E						2023E																	
Revenues	16.6%	11.8%	-19.7%	25.4%	3.9%	2.4%	Depreciation	1,121						1,177						1,483						1,371						1,381						1,391																
EBITDA	-2.7%	12.9%	-11.2%	33.9%	-9.7%	-2.6%	Change in WC	-204						1,614						-530						-417						29						-328																
							Capex	-2,195						-2,805						-2,183						-721						-1,450						-1,460																
							FCF	203						1,586						-47						2,375						1,777						1,333																
COMPANY FINANCIALS																																																						
INCOME STATEMENT, HUFm							2018						2019						2020						2021E						2022E						2023E																	
Revenues	30,527	34,131	27,424	34,385	35,729	36,598	BALANCE SHEET, HUFm												2018						2019						2020						2021E						2022E						2023E					
Costs	-27,541	-30,759	-24,429	-30,874	-32,108	-33,073	PPE	8,550						9,162						9,748						9,817						9,886						9,956																
o/w Materials expenses	-21,590	-22,848	-18,749	-23,382	-24,296	-24,887	Intangible assets, net	125						13						1						1						1						1																
o/w Personnel expenses	-6,505	-7,716	-6,876	-7,907	-8,264	-8,654	Goodwill	336						336						336						117						117						117																
o/w Other expenses	554	-195	1,196	415	452	468	Others	5						1,043						1,216						1,223						1,223						1,223																
EBITDA	2,986	3,372	2,995	4,011	3,621	3,526	Total non-current assets	9,016						10,553						11,301						11,158						11,227						11,296																
Depreciation	-1,133	-1,289	-1,498	-1,371	-1,381	-1,391	Cash and cash equivalents	1,020						1,287						2,330						752						570						587																
EBIT	1,853	2,083	1,497	2,639	2,240	2,135	Trade receivables	4,737						5,042						4,248						5,323						5,649						5,641																
Interest expense, net	-101	-102	-145	-167	-163	-176	Inventories	3,519						2,961						4,008						3,723						4,027						4,166																
Tax	-352	-459	-284	-466	-392	-371	Others	1,013						630						1,090						1,090						1,090						1,090																
Minorities	-251	-249	-284	-208	-185	-187	Total current assets	10,289						9,920						11,676						10,887						11,335						11,485																
Net Income for shareholders	1,148	1,273	785	1,798	1,500	1,400	Total assets	19,304						20,473						22,977						22,045						22,562						22,781																
CASH FLOW STATEMENT, HUF							2018						2019						2020						2021E						2022E						2023E																	
CF from operations	2,259	4,557	2,154	2,159	2,649	3,007	Total shareholders equity	6,121						6,233						7,011						7,789						7,676						7,764																
o/w depreciation	1,121	1,177	1,483	1,371	1,381	1,391	Minority interest	1,021						1,065						1,479						1,479						1,479						1,479																
o/w change in WC	-204	1,614	-530	-719	-417	29	LT Debt	1,735						1,421						4,910						2,410						2,410						2,410																
CF from investments	-2,195	-2,805	-2,183	-721	-1,450	-1,460	Other LT liabilities	367						437						407						407						407						407																
o/w capex	-2,200	-2,821	-2,247	-1,440	-1,450	-1,460	Total non-current liabilities	2,102						1,858						5,318						2,818						2,818						2,818																
CF from fin. activities	90	-1,486	1,065	-3,009	-1,381	-1,529	ST Debt	5,273						5,409						5,048						5,767						6,184						6,156																
o/w dividends	-1,169	-1,161	-7	-1,228	-1,798	-1,500	ST payables	4,709						5,908						4,121						4,192						4,405						4,565																
Cash flow	154	266	1,036	-1,571	-182	18	Other ST liabilities	78						0						0						0						0						0																
Cash balance	1,020	1,286	2,323	752	570	587	Total current liabilities	10,060						11,317						9,170						9,959						10,589						10,721																
							Total equity and liabilities	19,305						20,473						22,977						22,045						22,562						22,781																
OPERATIONS																																																						
2018							2019						2020						2021E						2022E						2023E																							
Revenues	30,527	34,131	27,424	34,385	35,729	36,598	Revenue split (HUF m)																																															
o/w Security Products	9,475	10,504	6,950	10,078	11,178	10,993																																																
o/w Card Production	9,250	11,002	7,900	11,455	11,570	12,495																																																
o/w Form Production	9,663	10,255	10,309	10,206	10,308	10,411																																																
o/w Traditional Printing	1,496	1,609	1,495	1,869	1,887	1,906																																																
o/w Other	643	761	770	778	785	793																																																
as % of revenues							2018						2019						2020						2021E						2022E						2023E																	
Security Products	31%	31%	25%	29%	31%	30%																																																
Card Production	30%	32%	29%	33%	32%	34%																																																
Form Production	32%	30%	38%	30%	29%	28%																																																
Traditional Printing	5%	5%	5%	5%	5%	5%																																																
Other	2%	2%	3%	2%	2%	2%																																																
Export revenues							2018						2019						2020						2021E						2022E						2023E																	
o/w Security Products	872	1,751	1,017	2,217	2,795	3,298																																																
o/w Card Production	1,316	1,457	815	2,520	2,892	3,749																																																
o/w Form Production	8,306	8,887	9,169	8,777	9,277	9,474																																																
o/w Traditional Printing	46	23	9	27	27	27																																																
o/w Other	531	520	649	700	707	714																																																
Export revenues' share (%)	36%	37%	43%	41%	44%	47%																																																

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## Investment thesis

Following the stock reaching and exceeding our former price target (PT) in early-July 2021, we have downgraded ANY Security Printing Company (ANY) to HOLD, from Buy, and increased our 12-month PT to HUF 1,562/share (from HUF 1,424/share). While we remain positive on ANY, reflected in the increase in our PT, we believe that its multiples, at the current levels, put a cap on any higher upside, at least at this stage. Our investment thesis remains more or less unchanged. The recovery is taking place due mostly to the return of the business, which was “lost” during the pandemic, such as passport printing, but also due to some one-off items, such as immunity cards and certificates. Sales were strong in 1Q21 and are likely to be so in 2Q as well. In our view, 2H21E could be somewhat weaker, but we still expect ANY to report record-high revenues for the year. We continue to appreciate the dividend policy of 100% payouts and believe the company is likely to return to this practice, after it cancelled the payout in 2020 and paid out >150% this year. Recently, ANY announced the sale of its stake in DIRECT SERVICES o.o.d., its Bulgarian subsidiary, which was engaged mostly in the form production and personalisation business, a segment for which we assume only insignificant growth rates. This gives ANY an opportunity to invest the liquidity in more promising segments, in our view.

**Business has returned, after the pandemic, and is likely to result in record-high revenues in 2021E, while we expect a 5.8% revenue CAGR for 2020-28E.** During the lockdown in 2020, ANY’s top line declined as much as 19.7% yoy. As we argued in our [previous report](#), some of the “lost” revenues merely shifted in time, rather than being lost entirely. This assumption seems to have been right, as the company reported a very strong top line in 1Q21 (38% yoy), with net income attributable to shareholders growing as much as 60% yoy. We assume that the strength has continued throughout the whole of 1H21E. 2H21E could be slightly weaker, in our view, but we expect ANY to report record-high revenues of HUF 34,385m in 2021E. This year’s revenues are not only supported by the “lost” business in 2020, but also by the printing of immunity certificates and cards, a business that we believe is rather a one-off and unlikely to be repeated next year. In 2022E, however, the top line is likely to be supported by another one-off in the form of elections, for which ANY prints out and distributes ballots. Thus, in 2022E, we expect revenues to grow almost 4%, followed by 2.4% growth in 2023E.

**The dividend policy continues to be a major piece of the investment thesis.** Despite the recent disruption in dividend payments, the company has returned to payouts this year, paying out HUF 86/share, or 156.5% of its 2020 profit. Going forward, we believe that payouts are likely to return to 100% every year and we pencil this into our model. The resulting dividend yield that we expect the company to offer in 2022E is c.8%. On average, it could remain at similar levels for the foreseeable future. On our numbers, the dividend yield offered by ANY is considerably higher than that of its peers.

**Management agreed to sell its Bulgarian subsidiary for EUR 2m.** On 12 July, the company announced that it has agreed to sell its entire stake (50%) in its Bulgarian subsidiary. The transaction price should be EUR 2m (c.HUF 719m). According to our understanding, the company is likely to book a gain on the sale and we have reflected this in our forecasts. While not many details have been disclosed yet, we take a positive, albeit cautious, view of the transaction. As we understand it, the Bulgarian subsidiary operated mostly in the segment of forms and personalisation, where we do not assume appealing growth rates, going forward. With ANY’s approach to innovation and digitalising some of its services, we believe management could use up the freed capital in a more promising segment, either new or existing.

**While our views remain positive on ANY, the stock seems too expensive for a Buy recommendation, at least at this stage.** We have downgraded our recommendation on ANY to HOLD, with a PT of HUF 1,562/share, due mostly to the current share price level, resulting in c.29% and 58% premiums vs. its peers on our 2021E and 2022E EV/EBITDAs, respectively. While we believe that some premium could be justified, we see the current levels as excessive and believe that the stock price deserves a breather at this juncture. On P/E, the stock trades at a discount of 12% on our 2021E earnings estimates, but we note that the multiple is affected by one-offs, such as the gain on the sale discussed above. On our 2022E P/E, the stock trades at a premium of 16% vs. its peers.

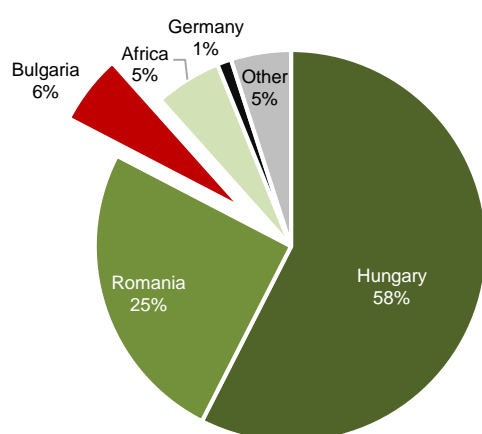
## Sale of the Bulgarian subsidiary

On 12 July, ANY Security Printing Company announced that it has agreed to sell its entire stake (50%) in DIRECT SERVICES o.o.d., its Bulgarian subsidiary. While not many details have been shared yet, the transaction price should be EUR 2m (c.HUF 719m). At the same time, we understand that the company could book a one-off gain from the sale of the subsidiary in this fiscal year.

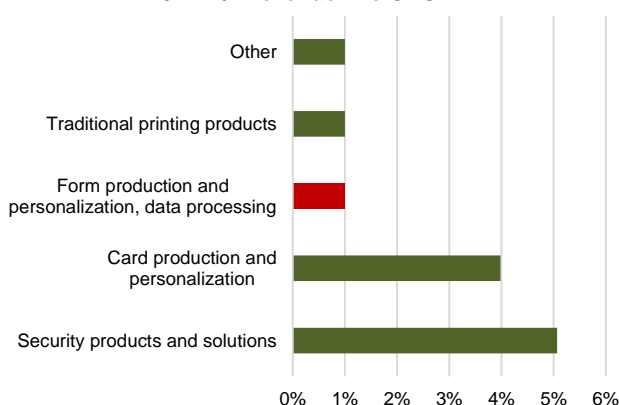
In the past two years, ANY has generated 5-6% of its total group revenues in Bulgaria, so the deal is valued at a multiple of c.0.4-0.5x price to sales (P/S), on our calculations, based on the 2019 and 2020 revenues. The transaction is still subject to the registration of the change of ownership with the local authorities.

According to management, the main segment in which ANY's Bulgarian subsidiary operated was form production and personalisation. In general, we expect this segment to show only weak growth rates going forward, a CAGR of 1.0% between 2020 and 2028E; thus, we believe the incentive for the sale of the subsidiary is fair. Furthermore, ANY aims to become more involved in the IT and digital sectors. The sale should unlock some, albeit small, capital from the more traditional printing market, to be used in more innovative endeavours. According to our understanding, the money could be used both in R&D, as well as potential M&A in the digital space of the market.

### ANY: revenues by country, 2020



### 2021-28E revenue line CAGR



Source: WOOD Research, ANY Security Printing Company

While ANY has enough liquidity, its leverage has increased recently, from net debt/EBITDA of 1.6x in 2019 to as much as 2.5x in 2020. With the company's cash flow generation, higher levels of EBITDA, as well as the HUF 2.5bn debt repayment expected this year, we assume that the leverage comes down over the next couple of years.

## Valuation

### Summary – HOLD, PT HUF 1,562/share

We employ two different fundamental methods in order to arrive at our fair value for ANY Security Printing Company: a DCF model and a dividend discount model. In contrast to our [previous report](#), we have also decided to add a peer multiples valuation to the mix. We have assigned a 40% weight to each of the fundamental methods and a 20% weight to the peer valuation. The resulting PT is HUF 1,562/share, offering upside of c.6%.

#### ANY Security Printing Company: valuation summary

Method	weight	PT
DCF	40%	1,559
DDM	40%	1,442
Peer valuation	20%	1,808
<b>Weighted average PT</b>		<b>1,562</b>
Current price		1,480
<b>Potential upside</b>		<b>6%</b>

Source: WOOD Research

### Cost of equity and WACC estimates

To calculate the COE and WACC, we first calculate the company's COE and WACC in Hungary. Following the same process, we estimated the COE and WACC of ANY's export markets, where Romania, ANY's second largest market, served as a proxy for our assumptions.

#### COE & WACC (Hungary)

	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Risk free rate	4.00%	4.00%	4.00%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Unlevered beta	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Levered beta	1.37	1.20	1.23	1.23	1.22	1.22	1.21	1.21	1.32
Equity risk premium	4.5%	5.0%	5.0%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
<b>Cost of equity</b>	<b>10.1%</b>	<b>10.0%</b>	<b>10.2%</b>	<b>9.0%</b>	<b>9.0%</b>	<b>9.0%</b>	<b>8.9%</b>	<b>8.9%</b>	<b>9.4%</b>
Risk free rate	4.0%	4%	4%	4%	4%	4%	4%	4%	4%
Debt risk premium	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Tax rate	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
After-tax cost of debt	5.0%	5.0%	5.0%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%
%D	54%	47%	48%	48%	48%	48%	47%	47%	47%
%E	46%	53%	52%	52%	52%	52%	53%	53%	53%
<b>WACC</b>	<b>7.4%</b>	<b>7.7%</b>	<b>7.7%</b>	<b>6.9%</b>	<b>6.9%</b>	<b>6.9%</b>	<b>6.9%</b>	<b>6.9%</b>	<b>7.1%</b>

Source: WOOD Research

#### COE & WACC (export markets)

	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Risk free rate	5.0%	5.0%	5.0%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Unlevered beta	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Levered beta	1.37	1.20	1.23	1.23	1.22	1.22	1.21	1.21	1.32
Equity risk premium	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
<b>Cost of equity</b>	<b>11.8%</b>	<b>11.0%</b>	<b>11.2%</b>	<b>10.6%</b>	<b>10.6%</b>	<b>10.6%</b>	<b>10.5%</b>	<b>10.5%</b>	<b>11.1%</b>
Risk free rate	5.0%	5.0%	5.0%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Debt risk premium	2.8%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Tax rate	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
After-tax cost of debt	6.6%	6.3%	6.3%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%
%D	54%	47%	48%	48%	48%	48%	47%	47%	47%
%E	46%	53%	52%	52%	52%	52%	53%	53%	53%
<b>WACC</b>	<b>9.0%</b>	<b>8.8%</b>	<b>8.8%</b>	<b>8.3%</b>	<b>8.3%</b>	<b>8.3%</b>	<b>8.3%</b>	<b>8.3%</b>	<b>8.6%</b>

Source: WOOD Research

#### Final COE & WACC

	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Weight (Hungary)	57%	59%	56%	53%	52%	50%	50%	50%	50%
Weight (Romania and other export markets)	43%	41%	44%	47%	48%	50%	50%	50%	50%
<b>Cost of Equity blended</b>	<b>10.9%</b>	<b>10.4%</b>	<b>10.6%</b>	<b>9.8%</b>	<b>9.7%</b>	<b>9.8%</b>	<b>9.7%</b>	<b>9.7%</b>	<b>10.3%</b>
<b>WACC blended</b>	<b>8.1%</b>	<b>8.1%</b>	<b>8.2%</b>	<b>7.6%</b>	<b>7.6%</b>	<b>7.6%</b>	<b>7.6%</b>	<b>7.6%</b>	<b>7.9%</b>

Source: WOOD Research

## Discounted cash flow model

Our discounted cash flow model gives us an equity value of HUF 21,333m (HUF 1,442/share), which results in, after applying our 2021E COE estimate, a 12M PT of HUF 1,559/share.

### DCF valuation method

(HUF m)	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Revenue	27,424	34,385	35,729	36,598	38,904	39,269	41,180	41,115	43,076
EBIT	1,497	2,639	2,240	2,135	2,545	2,378	2,697	2,383	2,731
Cash taxes on EBIT	0	497	422	405	482	453	514	456	524
<b>NOPAT</b>	<b>1,497</b>	<b>2,142</b>	<b>1,818</b>	<b>1,730</b>	<b>2,063</b>	<b>1,925</b>	<b>2,183</b>	<b>1,926</b>	<b>2,208</b>
Depreciation	1,498	1,371	1,381	1,391	1,401	1,410	1,420	1,430	1,440
Change in operating WC	-719	-417	29	-328	-201	-230	-9	-282	0
CAPEX	-2,183	-721	-1,450	-1,460	-1,471	-1,481	-1,491	-1,502	-1,512
<b>Net investment</b>	<b>-1,403</b>	<b>233</b>	<b>-40</b>	<b>-397</b>	<b>-271</b>	<b>-300</b>	<b>-80</b>	<b>-354</b>	<b>-72</b>
<b>FCF</b>	<b>94</b>	<b>2,375</b>	<b>1,777</b>	<b>1,333</b>	<b>1,792</b>	<b>1,624</b>	<b>2,102</b>	<b>1,573</b>	<b>2,136</b>
Discount factor		0.96	0.88	0.82	0.76	0.70	0.65	0.60	0.54
PV of FCF		2,287	1,572	1,095	1,359	1,137	1,359	938	1,151
<b>SUM of PV FCF</b>	<b>10,900</b>								
LT FCF growth rate	3.0%								
Residual value at horizon	45,003								
<b>PV of Residual value</b>	<b>22,328</b>								
Net debt	7,628								
Minorities	4,267								
<b>Equity value</b>	<b>21,333</b>								
Number of shares (m)	14.79								
Equity value per share	1,442								
<b>12M price target</b>	<b>1,559</b>								
<b>% upside</b>	<b>5%</b>								
Valuation date	7/20/2021								
Fiscal year end	12/31/2021								

Source: WOOD Research

## Dividend discount model

As dividends are a major part of our investment thesis, we have included a DDM model in our valuation mix as well. Our model gives us an equity value of HUF 19,318m (HUF 1,306/share). The resulting 12M PT then lands at HUF 1,442/share.

### DDM valuation method

(HUF m)	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Net income (NI) available to shareholders	785	1,798	1,500	1,400	1,691	1,561	1,786	1,564	1,811
<b>Dividends paid from previous year's NI</b>	<b>7</b>	<b>1,228</b>	<b>1,798</b>	<b>1,500</b>	<b>1,400</b>	<b>1,691</b>	<b>1,561</b>	<b>1,786</b>	<b>1,564</b>
Payout ratio		156%	100%	100%	100%	100%	100%	100%	100%
Discount factor			0.91	0.83	0.76	0.69	0.63	0.57	0.51
PV of Dividend			1,628	1,246	1,061	1,164	982	1,023	790
<b>SUM of PV of dividends paid</b>	<b>7,895</b>								
Long term FCF growth rate	3.0%								
Residual value at horizon	24,930								
<b>PV of residual value</b>	<b>11,423</b>								
<b>Equity value</b>	<b>19,318</b>								
Number of shares (m)	14.79								
Equity value per share	1,306								
<b>12M price target</b>	<b>1,442</b>								
<b>% upside</b>	<b>-3%</b>								
Valuation date	7/20/2021								
Dividend payment date	7/15/2021								

Source: WOOD Research

## Peer valuation

As mentioned above, we have decided to add a peer valuation to the mix. As we assume that the company will pay out 100% of its profit, we have decided to base our valuation on the P/E multiple. Currently, the median P/E multiples of ANY's peers are c.12.3x for 2021E and 11.2x for 2022E, on the consensus.

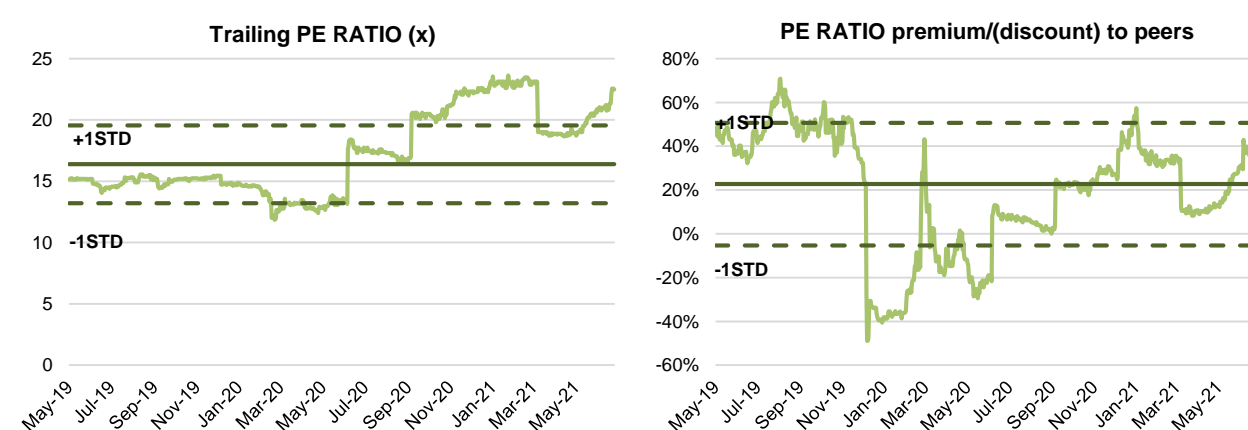
### Peer valuation

Company	Currency	Price (LCL)	MCap (USD m)	P/E (x)			EV/EBIT (x)			EV/EBITDA (X)			Div. yield (%)		
				2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
Transcontinental Inc	CAD	24.2	1,633	10.6	10.2	n.a.	10.5	9.5	n.a.	6.1	5.8	n.a.	3.7	3.9	n.a.
Tungkong Inc	HKD	18.4	5,441	25.9	18.0	14.6	26.6	15.1	10.8	16.6	10.9	8.1	0.0	0.0	0.0
Elanders AB (Class B)	SEK	172.4	733	14.0	12.2	11.0	13.5	11.3	9.8	5.8	5.2	4.7	2.1	2.4	2.6
RR Donnelley & Sons Co	USD	5.8	440	6.6	5.5	n.a.	n.a.	n.a.	n.a.	4.0	3.7	n.a.	n.a.	n.a.	n.a.
Orell Fuessli Holding AG	CHF	99.0	211	16.5	16.3	15.3	10.4	9.7	8.9	5.8	5.5	5.2	3.5	4.0	4.3
De La Rue Plc	GBP	159.8	459	10.2	8.2	6.8	n.a.	n.a.	n.a.	5.0	4.1	3.7	n.a.	n.a.	3.2
<b>Median</b>				<b>12.3</b>	<b>11.2</b>	<b>12.8</b>	<b>12.0</b>	<b>10.5</b>	<b>9.8</b>	<b>5.8</b>	<b>5.3</b>	<b>4.9</b>	<b>2.8</b>	<b>3.2</b>	<b>2.9</b>
ANY	HUF	1,480.0	72	10.9	13.0	13.8	11.4	13.6	14.3	7.5	8.4	8.6	5.6	8.2	6.9
<b>(Discount)/premium to median</b>				<b>-12%</b>	<b>16%</b>	<b>8%</b>	<b>-5%</b>	<b>30%</b>	<b>45%</b>	<b>29%</b>	<b>58%</b>	<b>75%</b>	<b>2.8pps</b>	<b>5.1pps</b>	<b>4.0pps</b>

Source: WOOD Research, Bloomberg

On average, ANY has traded at a premium of 23% vs. its peers on the P/E multiple in the past couple of years. We have, therefore, decided to use that premium in our valuation.

### Trailing P/E ratio of ANY and its premium/(discount) vs. its peers



Source: WOOD Research, Bloomberg

Applying this premium to the current peer multiples, ANY's implied P/E multiples land at 15.1x and 13.7x for 2021E and 2022E, respectively. We have assigned an equal weight of 50% to each of the estimates and applied the multiples. The resulting equity value is HUF 26,749m, with the PT arriving at HUF 1,808/share.

### P/E multiple-based valuation

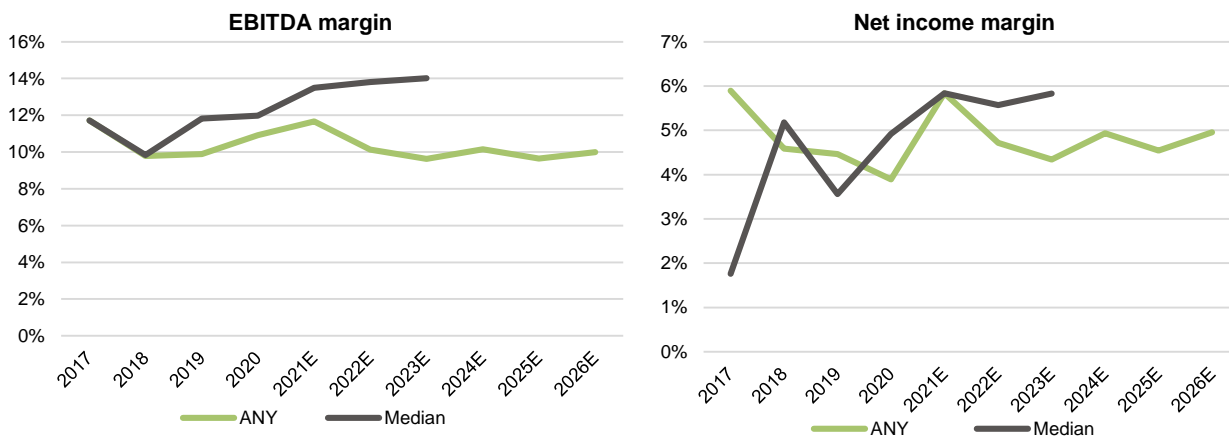
(HUF m)	Premium	(x)	WOOD	weight	PT
2021E P/E	23%	15.1	2,006	50%	30,373
2022E P/E	23%	13.7	1,685	50%	23,124
<b>Weighted average equity value</b>					<b>26,749</b>
Number of shares (m)					15
<b>PT/share (HUF)</b>					<b>1,808</b>

Source: WOOD Research, Bloomberg

It is difficult to find perfectly comparable peers for ANY; therefore, we have resorted to using the closest peers, six in total, that we could find. None of its peers, like ANY, is a pure traditional printing services play. However, given that ANY's net income margins are fairly comparable with its peers, basing our valuation on the P/E multiples is justified, in our view.



**ANY's margins vs. peers**



Source: WOOD Research, Bloomberg

In the traditional printing segment, larger players are likely to benefit from economies of scale, in our view, as the size of the traditional printing market shrinks, while the smaller ones will find it increasingly hard to survive, given the current market circumstances. In the less conventional services space, however, even the smaller players can find a market, in our view, and remain competitive.

ANY is the smallest of the peer group, but its margins are competitive, at least on the net income level. In our view, the divergence in margins expected in the future stems from our more conservative view, due to the increase in commodity prices. Higher personnel expenses play a role too.

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## Risks

- ✓ **Macroeconomic risks and COVID-19.** In 2020, 83% of ANY's revenues were generated in Hungary and Romania. The Hungarian government has dropped the requirement to wear face masks in public and other COVID-19-related restrictions as, according to the officials, the number of vaccinated inhabitants is sufficient for collective immunity. Another wave could pose a risk to the company, as it could reduce demand, increase delivery times and, potentially, even affect production. Revenues would be delayed again, or lost altogether, which would have a negative impact on our estimates and, consequently, our price target.
- ✓ **FX risks.** Most of the company's debt is denominated in HUF and some of the input costs, which are in EUR, are hedged naturally by EUR revenues from the company's export markets. However, due to the company's subsidiary in Romania, ANY is exposed to the RON/HUF exchange rate. Similarly, the number of ANY's export markets is high.
- ✓ **Personnel costs and bonuses.** Last year, due to the pandemic, the company cancelled bonuses to save on costs. While our estimates account for their return this year, we do not know their actual value. Similarly, we believe that ANY is likely to face wage growth pressure, especially after it did not raise wages last year, due to the pandemic. We have pencilled this into our forecasts too, but there could be a risk to our PT, if the upward pressure on wages is higher than we expect. Personnel costs accounted for c.25% of total sales in 2020.
- ✓ **Digitalisation.** We see digitalisation as a risk, especially for ANY's form production and traditional printing business lines. These two accounted for as much as 43% of total sales in 2020 and their share of total sales has risen since 2015. Although the penetration rate of the electronic delivery of invoices is still very low in ANY's core markets, convergence to the more developed markets is likely to continually erode the size of the market in Hungary as well, in our view. We have taken this into account and we expect form production to report a 2021-28E CAGR of 1.0% vs. a 5.1% CAGR for the same period in the card production segment. At the same time, the higher adoption of smartphone payment services, such as Apple Pay, could slow down the company's card production business line. On the other hand, ANY also offers electronic invoices delivery services to its clients. Similarly, the company also offers electronic archiving services at its own data warehouse, which could help to mitigate the impact of digitalisation. Last but not least, following the sale of the Bulgarian subsidiary, we believe the company could use the proceeds for R&D and, potentially, M&A in the digital space.
- ✓ **Leverage.** We do not consider ANY as being in an uncomfortable position with regards to its leverage. The leverage ratios have increased recently, but the company holds enough cash, and, recently, it restructured the debt taken on last year, during the pandemic, to a long-term basis. The net debt/EBITDA was 2.55x in 2020, but we expect the company to perform well and the ratio to decline to its pre-pandemic levels. We see a scenario where the company would need to tap its overdraft as unlikely. We also believe that ANY should remain cash generating. Part of the increase in leverage is due to the lower base of the EBITDA level in 2020, which is likely to be higher this year. This should help to reduce ANY's leverage, together with a HUF 2.5bn instalment, which is due this year.
- ✓ **Tax risk.** With the corporate tax rate having been lowered to 9% in 2017 in Hungary, the company is benefiting from a lower tax base than in the past. Although we do not see any intentions of any corporate tax rate hikes, we highlight this as a risk, particularly as the company has a dividend payout ratio of 100%.
- ✓ **Government-related sources of revenue.** With a large part of its revenues coming from governmental contracts, ANY has a large customer concentration in its portfolio. We note that ANY has a long tradition of working with the Hungarian government and that these types of contracts require significant local presence and expertise in order to be executed; therefore, we do not consider such risks as too high currently.

## Changes in our financial forecasts

Financial data are presented in HUF bn, if not specified otherwise

	2021E			2022E			2023E		
	New	Old	% change	New	Old	% change	New	Old	% change
<b>Revenue</b>	<b>34.4</b>	<b>32.5</b>	<b>6%</b>	<b>35.7</b>	<b>33.7</b>	<b>6%</b>	<b>36.6</b>	<b>36.0</b>	<b>2%</b>
Material expenses	-23.4	-22.1	6%	-24.3	-22.8	7%	-24.9	-24.4	2%
Personnel expenses	-7.9	-7.8	1%	-8.3	-8.1	2%	-8.7	-8.6	0%
Other expenses	0.4	0.5	-17%	0.5	0.5	-10%	0.5	0.5	-14%
<b>EBITDA</b>	<b>4.0</b>	<b>3.2</b>	<b>25%</b>	<b>3.6</b>	<b>3.3</b>	<b>10%</b>	<b>3.5</b>	<b>3.5</b>	<b>1%</b>
D&A	-1.4	-1.3	5%	-1.4	-1.3	6%	-1.4	-1.3	6%
<b>EBIT</b>	<b>2.6</b>	<b>1.9</b>	<b>39%</b>	<b>2.2</b>	<b>2.0</b>	<b>12%</b>	<b>2.1</b>	<b>2.2</b>	<b>-1%</b>
Net finance income/(expense)	-0.2	-0.1	67%	-0.2	-0.1	63%	-0.2	-0.1	46%
Profit before tax	2.5	1.8	37%	2.1	1.9	9%	2.0	2.0	-4%
Tax	-0.5	-0.3	55%	-0.4	-0.3	31%	-0.4	-0.4	3%
Net income	2.0	1.5	34%	1.7	1.5	12%	1.6	1.7	-5%
Minorities	0.2	0.3	-31%	0.2	0.3	-38%	0.2	0.3	-42%
<b>Net income for shareholders</b>	<b>1.8</b>	<b>1.2</b>	<b>50%</b>	<b>1.5</b>	<b>1.2</b>	<b>25%</b>	<b>1.4</b>	<b>1.4</b>	<b>3%</b>
Material expenses % of sales	68.0%	68.0%	0.0pp.	68.0%	67.7%	0.3pp.	68.0%	67.9%	0.1pp.
Personnel expenses % of sales	23.0%	24.0%	-1.0pp.	23.1%	24.0%	-0.9pp.	23.6%	24.0%	-0.3pp.
EBITDA margin	-1.2%	-1.5%	0.3pp.	-1.3%	-1.5%	0.2pp.	-1.3%	-1.5%	0.2pp.
Net Income for shareholders margin	-11.7%	-9.8%	-1.8pp.	-10.1%	-9.8%	-0.3pp.	-9.6%	-9.7%	0.0pp.

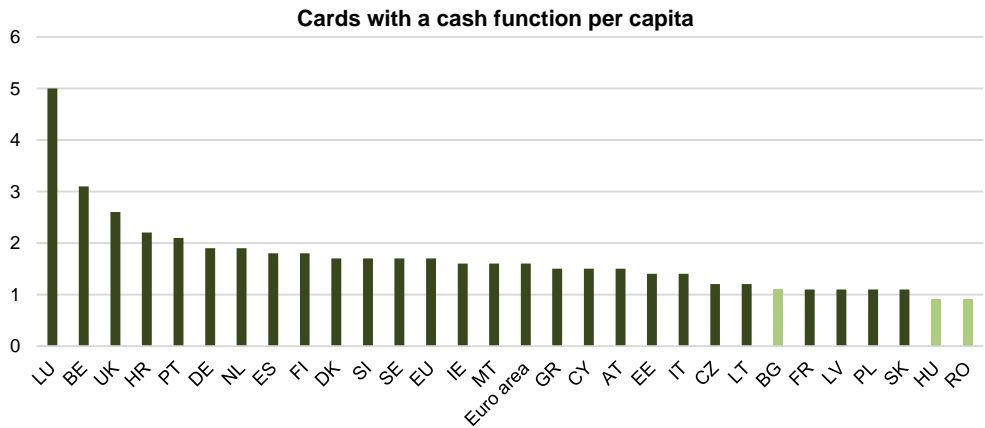
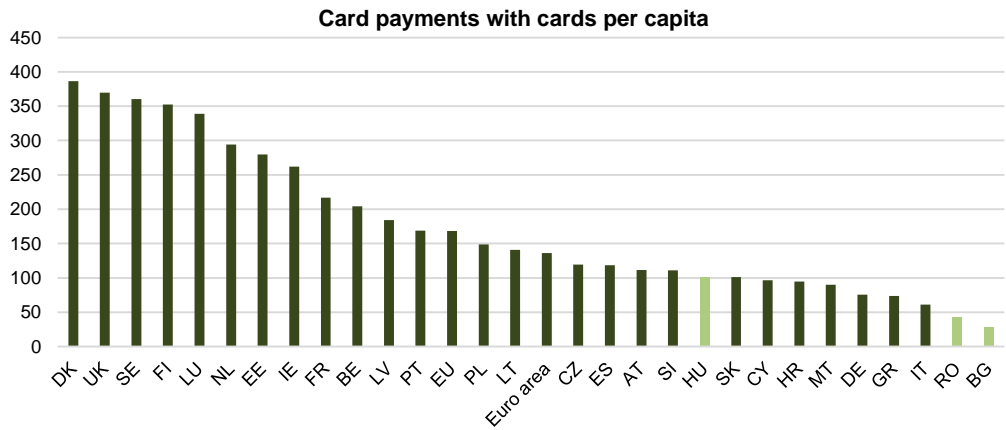
Source: WOOD Research

# ANY's markets

## Speciality printing

We expect ANY's total revenue growth to be driven mostly by speciality printing. Not only are these business lines the largest in terms of ANY's revenues, but their growth potential in Central and, especially, Eastern Europe is high. In its markets, we believe the company is well-positioned to capture most of the growth and we reflect this in our forecasts.

### Cards and card payments (2019)

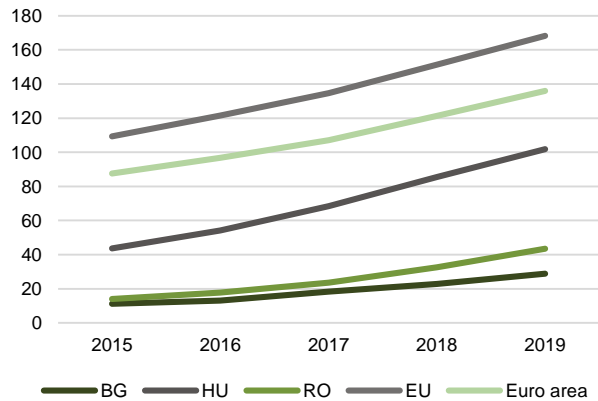
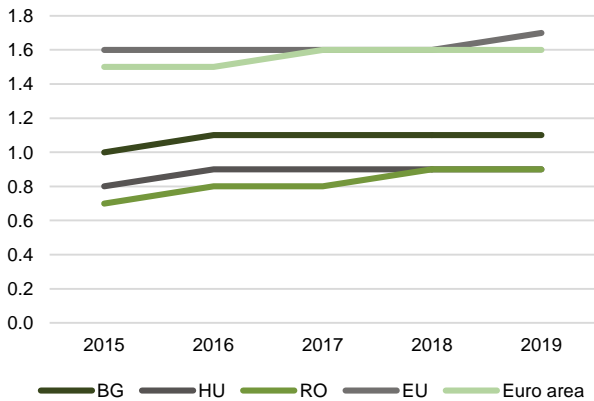


Source: WOOD Research, Eurostat

Although the number of cards and card payments is a factor of the availability of the payment method at restaurants, shops, etc., the payment card market is clearly less developed in ANY's markets compared to its more developed peers in Western Europe. We assume that these markets converge towards their more developed peers, which results in our higher revenue growth rates expectations.

#### Cards with a cash function per capita

#### Card payments with cards per capita

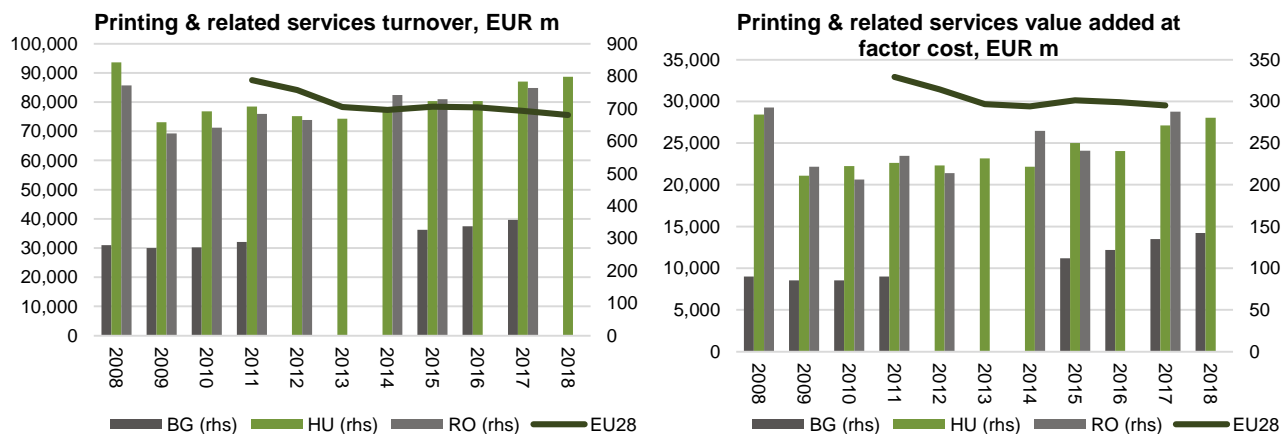


Source: WOOD Research, Eurostat

## Traditional printing services

With the increasing penetration of the economy by digital media and digitalisation overall, the traditional printing market in the EU has experienced a declining trend over the past decade. In Hungary, however, the market saw slight growth. As Hungary develops and converges towards its more developed peers in the EU, we believe the local market should turn around too, at some point. For now, we have pencilled in 1% of annual growth for ANY's traditional printing and form production segments for 2022-23E. The 2021E growth rates are not completely comparable, due to the low base of 2020, as well as the sale of the Bulgarian subsidiary, which was engaged mostly in the form production segment, according to our understanding.

### Printing and related services\*



Source: WOOD Research, Eurostat; \*some years are missing in the Eurostat database; we have decided to use the data nevertheless, as we believe the trends still can be seen

The weight of speciality printing should, thus, increase gradually, at the expense of the more traditional lines. This is also supported by the sale of the Bulgarian subsidiary, the proceeds of which are likely to be used in R&D, or M&A in the digital space.

# Financials

## Income statement

(HUF m)	2018	2019	2020	2021E	2022E	2023E
<b>Revenue</b>	<b>30,527</b>	<b>34,131</b>	<b>27,424</b>	<b>34,385</b>	<b>35,729</b>	<b>36,598</b>
Material expenses	-21,590	-22,848	-18,749	-23,382	-24,296	-24,887
Personnel expenses	-6,505	-7,716	-6,876	-7,907	-8,264	-8,654
Other expenses	554	-195	1,196	415	452	468
<b>EBITDA</b>	<b>2,986</b>	<b>3,372</b>	<b>2,995</b>	<b>4,011</b>	<b>3,621</b>	<b>3,526</b>
D&A	-1,133	-1,289	-1,498	-1,371	-1,381	-1,391
<b>EBIT</b>	<b>1,853</b>	<b>2,083</b>	<b>1,497</b>	<b>2,639</b>	<b>2,240</b>	<b>2,135</b>
Net finance income/(expense)	-101	-102	-145	-167	-163	-176
Profit before tax	1,752	1,981	1,352	2,472	2,077	1,959
Tax	-352	-459	-284	-466	-392	-371
Net income	1,400	1,522	1,068	2,006	1,685	1,588
Minorities	251	249	284	208	185	187
<b>Net income for shareholders</b>	<b>1,148</b>	<b>1,273</b>	<b>785</b>	<b>1,798</b>	<b>1,500</b>	<b>1,400</b>

Source: WOOD Research, ANY Security Printing Company

## Balance sheet

(HUF m)	2018	2019	2020	2021E	2022E	2023E
<b>Current assets</b>	<b>10,289</b>	<b>9,920</b>	<b>11,676</b>	<b>10,887</b>	<b>11,335</b>	<b>11,485</b>
Cash and cash equivalents	1,020	1,287	2,330	752	570	587
Trade receivables	4,737	5,042	4,248	5,323	5,649	5,641
Inventories	3,519	2,961	4,008	3,723	4,027	4,166
Other ST assets	1,013	630	1,090	1,090	1,090	1,090
<b>Fixed assets</b>	<b>9,016</b>	<b>10,553</b>	<b>11,301</b>	<b>11,158</b>	<b>11,227</b>	<b>11,296</b>
PPE	8,550	9,162	9,748	9,817	9,886	9,956
Intangibles	125	13	1	1	1	1
Goodwill	336	336	336	117	117	117
Other LT assets	5	1,043	1,216	1,223	1,223	1,223
<b>Total assets</b>	<b>19,304</b>	<b>20,473</b>	<b>22,977</b>	<b>22,045</b>	<b>22,562</b>	<b>22,781</b>
<b>Current liabilities</b>	<b>10,060</b>	<b>11,317</b>	<b>9,170</b>	<b>9,959</b>	<b>10,589</b>	<b>10,721</b>
ST debt	4,888	4,896	2,508	3,226	3,643	3,615
ST lease liabilities	386	513	2,541	2,541	2,541	2,541
trade payables	3,372	3,337	3,658	3,729	3,942	4,102
other payables	1,337	2,571	463	463	463	463
other s/t liabilities	78	0	0	0	0	0
<b>Long-term liabilities</b>	<b>2,102</b>	<b>1,858</b>	<b>5,318</b>	<b>2,818</b>	<b>2,818</b>	<b>2,818</b>
LT debt	1,253	1,046	4,478	1,978	1,978	1,978
LT lease liabilities	482	376	432	432	432	432
Deferred tax	328	342	399	399	399	399
Other LT liabilities	39	94	8	8	8	8
<b>Shareholders' equity</b>	<b>7,142</b>	<b>7,299</b>	<b>8,490</b>	<b>9,268</b>	<b>9,155</b>	<b>9,243</b>
Share capital	1,450	1,450	1,450	1,450	1,450	1,450
Capital reserve	251	251	251	251	251	251
Retained earnings	4,875	4,988	5,766	6,544	6,431	6,518
Treasury shares	-455	-455	-455	-455	-455	-455
Minority interest	1,021	1,065	1,479	1,479	1,479	1,479
<b>Total equity and liabilities</b>	<b>19,305</b>	<b>20,473</b>	<b>22,977</b>	<b>22,045</b>	<b>22,562</b>	<b>22,781</b>
Net debt	5,988	5,544	7,628	7,426	8,025	7,979
Net debt/EBITDA	2.0	1.6	2.5	1.9	2.2	2.3
Net debt/equity	0.8	0.8	0.9	0.8	0.9	0.9
Receivable days	57	54	57	57	58	56
Inventory days	42	32	53	40	41	42
Payable days	40	36	49	40	40	41

Source: WOOD Research, ANY Security Printing Company

## Cash flow

(HUF m)	2018	2019	2020	2021E	2022E	2023E
Profit before tax	1,752	1,981	1,353	2,472	2,077	1,959
D&A	1,121	1,177	1,483	1,371	1,381	1,391
other	26	341	292	167	163	176
changes in WC, o/w	-204	1,614	-530	-719	-417	29
Receivables	291	77	353	-1,075	-326	8
Inventories	-537	416	-1,085	286	-304	-139
Payables	42	1,120	201	71	213	160
<b>Cash from operations</b>	<b>2,696</b>	<b>5,113</b>	<b>2,597</b>	<b>2,792</b>	<b>3,204</b>	<b>3,554</b>
Interest paid	-96	-110	-150	-167	-163	-176
Income tax paid	-340	-446	-294	-466	-392	-371
<b>Operating cash flow</b>	<b>2,259</b>	<b>4,557</b>	<b>2,154</b>	<b>2,159</b>	<b>2,649</b>	<b>3,007</b>
Capex	-2,200	-2,821	-2,247	-1,440	-1,450	-1,460
Other invs/divest.	5	16	64	0	0	0
<b>Investment cash flow</b>	<b>-2,195</b>	<b>-2,805</b>	<b>-2,183</b>	<b>-721</b>	<b>-1,450</b>	<b>-1,460</b>
Borrowings	1,480	-144	1,044	-1,781	417	-29
Dividends	-1,169	-1,161	-7	-1,228	-1,798	-1,500
Other	-222	-180	28	0	0	0
<b>Financing cash flow</b>	<b>90</b>	<b>-1,486</b>	<b>1,065</b>	<b>-3,009</b>	<b>-1,381</b>	<b>-1,529</b>
Net change in cash and equivalents	154	266	1,036	-1,571	-182	18
Beginning cash and equivalents	867	1,020	1,287	2,323	752	570
Ending cash and equivalents	1,020	1,286	2,323	752	570	587

Source: WOOD Research, ANY Security Printing Company

## Multiples, per share & other data

	2018	2019	2020	2021E	2022E	2023E
Number of shares (m)	14.79	14.79	14.79	14.79	14.79	14.79
Price eop (HUF)	1,295	1,390	1,405	1,480	1,480	1,480
Market cap (HUF m)	19,159	20,565	20,786	21,896	21,896	21,896
EV (HUF m)	26,167	27,395	30,745	30,073	30,491	30,462
EPS (HUF)	95	103	72	136	114	107
- EPS growth	-0.09	0.09	-0.30	0.88	-0.16	-0.06
Dividend (HUF m)	1169	1161	7	1228	1798	1500
DPS (HUF)	78.99	78.48	0.46	83.00	121.56	101.40
- Payout Ratio	76%	83%	0%	115%	90%	89%
Dividend yield	6%	6%	0%	6%	8%	7%
BVPS (HUF)	412	419	482	535	527	533
ROE	23%	25%	15%	25%	22%	20%
P/E (x)	13.68	13.51	19.47	10.91	12.99	13.79
EV/EBITDA (x)	8.76	8.12	10.27	7.50	8.42	8.64
EV/EBIT (x)	14.12	13.15	20.54	11.39	13.61	14.27
EV/Sales (x)	0.86	0.80	1.12	0.87	0.85	0.83
P/FCF (x)	6.38	0.88	-29.94	0.62	0.83	1.11
P/BV (x)	3.15	3.32	2.91	2.77	2.81	2.78

Source: WOOD Research, ANY Security Printing Company

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Banca Transilvania	5
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BRD	5
Bucharest Stock Exchange	5
Santander Bank Polska	5
CCC	5
CD Projekt	5
Ceska zbrojovka Group	1, 2, 3
CEZ	5
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Dino	5
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