

ANY Security Printing Company PLC

Hold

Maintained

Price: HUF 1,380
Price target: HUF 1,469
(from HUF 1,406)

Growth secured; margins, not so much

Since our **initiation** on ANY PLC, the company has surprised to the upside on top-line delivery, and we now expect revenues of HUF 33.4bn in 2019E, at an annual growth rate of 12.9% over 2017-19E, compared to our initial expectation of 6.4%. This is due to a combination of a stronger performance in its strategic business units, security products and card production, as well as higher-than-expected revenues due to elections in 2018 and 2019E. However, the growth came at a lower margin, with materials expenses as a percentage of sales increasing to 68.8% in 2019E, vs. our original expectation of 67%, while labour cost pressure has been higher than anticipated. On the bottom line, the company has delivered largely in line with expectations, and our updated net income forecasts for 2019-20E are only 4% and 1% higher than expected previously, despite increases of 20% and 19% in our top-line estimates over the same period. Based on our higher growth, but lower margin forecasts, the company still trades at significant premiums of 98.3% vs. its peers on our 2020E P/E of 17x and 67.3% on our 2020E EV/EBITDA of 9.2x, while its dividend yield of 6.4% is roughly in line with its peers. While we like ANY due to its resilience to the economic cycle and its high dividend yield, we believe its growth prospects are incorporated in the share price already, given the long-term threat of digitalisation. We maintain our HOLD rating, with an updated 12-month price target (PT) of HUF 1,469/share (from HUF 1,406), offering 6% upside.

Revenue growth outperformed. ANY has been growing at 10.2% per year over 2016-19E, driven by the strong delivery of its key business units, security products and card production, particularly in its export markets. Over 2018-22E, we expect a CAGR of 4.2%, slightly less than consultancy firm Smithers' expectations for annual growth for global security printing of 4.8% over 2017-22E, accounting for irregular election revenues (increasing the base in 2018). Low cards and eID penetration compared to the EU average in the company's main markets should be supportive of growth, in our view, more than mitigating the impact of digitalisation on its form production business.

While margins are under pressure. Over 2016-19E, the EBITDA margin dropped 200bp from 12% to 10%. This was driven by a lower-profitability sales mix, with materials expenses as a percentage of revenues increasing from 64.8% to 68.8% over the same period. At the same time, wage cost pressure has been higher than we expected, a trend that is likely to put pressure on margins going forward as well. We expect further erosion, albeit lower, forecasting the EBITDA margin to drop to 9.7% by 2022E.

Dividends to remain attractive. Given its 100% dividend payout policy, we expect an average dividend yield of 6.1% over 2020-22E, roughly in line with the past few years, and at decent levels, given that the Hungarian 10-year bond yield is at 1.85% currently. This should be supported by its strong FCF generation: we expect an FCF yield of 6.4% on average over 2020-22E, after a high capex and WC adjustment in 2019E, while we expect the leverage to stay roughly flat at 2.3x net debt/EBITDA in 2022E, from 2.4x in 2019E.

Risks: the macro environment in Hungary and Romania; wage pressure; FX risks; tax risks; digitalisation; and customer concentration.

Expected events

2019 results March 2020

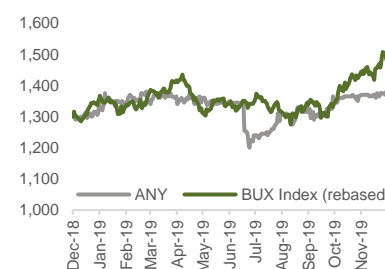
Key data

Market Cap	EUR 62m
Free float	53%
Shares outstanding	14.8m
Major Shareholder	Erdos Family 22%
Bloomberg Code	ANY HB
BUX Index	45,035

Price performance

52-w range	1,200-1,380
52-w performance	6.2%
Relative performance	-7.9%

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
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	16.8	8.8	79.0	6.1%
2019E	33,378	3,334	2,045	1,298	87.7	15.7	8.8	77.1	5.6%
2020E	32,524	3,208	1,926	1,198	81.0	17.0	9.2	87.7	6.4%
2021E	33,723	3,266	1,968	1,226	82.9	16.7	9.2	81.0	5.9%
2022E	35,975	3,474	2,158	1,355	91.6	15.1	8.7	82.9	6.0%

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Closing Prices as of 18 December 2019

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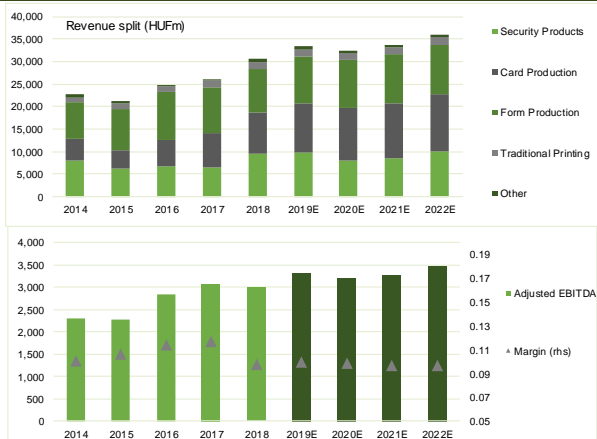
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Company snapshot – HOLD, PT HUF 1,469

ANY PLC		SHARE PRICE PERFORMANCE		COMPANY DESCRIPTION		
HOLD	ANY HB	1,380	1,600	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%) being in countries outside of Hungary, particularly Romania.		
Bloomberg ticker	ANY HB	1,380	1,600			
Closing price (HUF)	1,469	1,380	1,600			
Price target (HUF)	1,469	1,380	1,600			
Upside to PT	6%	1,380	1,600			
Shares outstanding (m)	14.79	1,380	1,600			
Market cap (EURm)	62	1,380	1,600			
Free float	53%	1,380	1,600			
Average daily turnover (EURk)	28	1,380	1,600			
52 Week performance	6.2%	1,380	1,600			
52 Week relative performance	-7.9%	1,380	1,600			
52 Week Range (HUF)	1,200 - 1,380	1,380	1,600			
RATIOS						
PER SHARE RATIOS (HUF)						
EPS	70.3	77.1	87.7	81.0	82.9	91.6
BVPS	408.8	411.7	422.4	415.6	417.5	426.2
DPS	84.0	79.0	77.1	87.7	81.0	82.9
FINANCIAL RATIOS						
EBITDA margin	11.7%	9.8%	10.0%	9.9%	9.7%	9.7%
EBIT margin	7.6%	6.1%	6.1%	5.9%	5.8%	6.0%
Net margin	4.0%	3.7%	3.9%	3.7%	3.6%	3.8%
ROE	17.2%	18.7%	20.8%	19.5%	19.9%	21.5%
Net debt/EBITDA	1.4x	2.0x	2.3x	2.4x	2.5x	2.3x
Capex/depreciation	1.30x	1.94x	2.02x	1.10x	1.10x	1.05x
Growth						
Revenues	5.1%	16.6%	9.3%	-2.6%	3.7%	6.7%
EBITDA	3.1%	-2.7%	11.6%	-3.8%	1.8%	6.4%
VALUATION RATIOS						
EV/EBITDA	8.3x	8.8x	8.8x	9.2x	9.2x	8.7x
P/E	19.0x	16.8x	15.7x	17.0x	16.7x	15.1x
EV, EURm	25,356	26,199	29,486	29,656	30,061	30,201
Net debt, EURm	4,438	5,988	7,822	7,821	8,045	7,982
FCF	-146	205	-517	1,515	1,186	1,507
FCF yield	-0.6%	0.8%	-1.8%	5.1%	3.9%	5.0%
Dividend yield	6.3%	6.1%	5.6%	6.4%	5.9%	6.0%
FCF BREAKDOWN						
EBIT	1,998	1,853	2,045	1,926	1,968	2,158
NOPAT	1,620	1,470	1,671	1,585	1,619	1,777
Depreciation	1,070	1,133	1,289	1,282	1,299	1,315
Change in WC	-1,441	-204	-877	58	58	-303
Capex	-1,394	-2,195	-2,600	-1,410	-1,428	-1,381
FCF	-146	205	-517	1,515	1,186	1,507
COMPANY FINANCIALS						
INCOME STATEMENT, HUFm						
Revenues	26,181	30,527	33,378	32,524	33,723	35,975
Costs	-23,113	-27,541	-30,044	-29,316	-30,457	-32,501
o/w Material expenses	-17,270	-21,590	-22,948	-22,052	-22,830	-24,427
o/w Personnel expenses	-5,957	-6,505	-7,582	-7,758	-8,138	-8,619
o/w Other expenses	114	554	486	493	511	545
EBITDA	3,068	2,986	3,334	3,208	3,266	3,474
Depreciation	-1,070	-1,133	-1,289	-1,282	-1,299	-1,315
EBIT	1,998	1,853	2,045	1,926	1,968	2,158
Interest expense, net	-94	-101	-94	-117	-117	-121
Tax	-458	-362	-357	-321	-328	-360
Minorities	-406	-251	-296	-290	-296	-322
Net income for shareholders	1,040	1,140	1,298	1,198	1,226	1,355
CASH FLOW STATEMENT, HUFm						
CF from operations	1,257	2,259	2,006	2,828	2,518	2,789
o/w depreciation	1,070	1,133	1,289	1,282	1,299	1,315
o/w change in WC	-1,441	-204	-877	58	-303	-204
CF from investments	-1,394	-2,195	-2,600	-1,410	-1,428	-1,381
o/w capex	-1,426	-2,200	-2,600	-1,410	-1,428	-1,381
CF from fin. activities	139	89	537	-1,275	-1,162	-1,341
o/w dividends	-1,243	-1,169	-1,140	-1,298	-1,198	-1,226
Cash flow	1	154	-57	144	-72	67
Cash balance	867	1,020	963	1,107	1,035	1,102
BALANCE SHEET, HUFm						
PPE	7,571	8,550	9,861	9,989	10,119	10,185
Intangible assets, net	37	125	125	125	125	125
Goodwill	336	336	336	336	336	336
Others	5	5	5	5	5	5
Total non-current assets	7,949	9,016	10,327	10,455	10,585	10,650
Cash and cash equivalents	867	1,020	963	1,107	1,035	1,102
Trade receivables	4,659	4,737	6,676	6,505	6,745	6,998
Inventories	2,804	3,519	3,932	3,832	3,973	4,238
Others	1,395	1,013	1,013	1,013	1,013	1,013
Total current assets	9,724	10,289	12,584	12,456	12,765	13,351
Total assets	17,673	19,305	22,910	22,911	23,350	24,001
Total shareholders equity	6,048	6,090	6,249	6,149	6,177	6,306
Minority interest	1,167	1,052	1,247	1,419	1,589	1,803
LT Debt	1,445	1,253	2,153	2,353	2,203	2,003
Other LT liabilities	786	849	849	849	849	849
Total non-current liabilities	2,231	2,102	3,002	3,202	3,052	2,852
ST Debt	3,160	4,888	5,765	5,707	6,009	6,213
ST payables	2,659	3,372	4,847	4,634	4,712	5,027
Other ST liabilities	2,085	1,415	1,415	1,415	1,415	1,415
Total current liabilities	8,227	10,060	12,412	12,141	12,522	13,040
Total equity and liabilities	17,673	19,305	22,910	22,911	23,350	24,001
OPERATIONS						
Revenues						
o/w Security Products	6,500	9,475	9,743	8,130	8,537	9,963
o/w Card Production	7,652	9,250	11,045	11,597	12,177	12,786
o/w Form Production	10,253	9,663	10,400	10,608	10,820	11,037
o/w Traditional Printing	1,288	1,496	1,599	1,599	1,599	1,599
o/w Other	488	643	590	590	590	590
as % of revenues						
Security Products	25%	31%	29%	25%	25%	28%
Card Production	29%	30%	33%	36%	36%	36%
Form Production	39%	32%	31%	33%	32%	31%
Traditional Printing	5%	5%	5%	5%	5%	4%
Other	2%	2%	2%	2%	2%	2%
Export revenues						
o/w Security Products	788	872	1,971	1,789	1,963	2,391
o/w Card Production	1,202	1,316	1,447	1,520	1,596	1,675
o/w Form Production	8,779	8,306	8,886	9,064	9,245	9,430
o/w Traditional Printing	23	46	21	21	21	21
o/w Other	328	531	475	295	295	295
Export revenues as % of total	42%	36%	38%	39%	39%	38%



4Q19E preview

ANY is scheduled to report its 2019E interim numbers in March 2020E. We expect revenues of HUF 8.1bn for 4Q19E, 9.4% yoy growth and 11.8% lower than the previous quarter. This would bring the revenues for the full-year to HUF 33.4bn, 9.3% yoy growth, or c.HUF 31.4bn excluding the revenues gained from the two elections held this year, the European parliament and the local elections. The fourth quarter is generally weaker in terms of volumes and margin, and we expect EBITDA of HUF 763m, 28% higher than the same quarter last year, also due to a low base marked by higher than usual other expenses (normally, the company reports a gain). We expect the margin for the quarter at 9.4%, higher than in 4Q18 (at 8.1%), but lower than the 9.9% achieved over 9M19. We expect the net income at HUF 289m, up 57.8% yoy, but down 19% qoq, bringing the 2019E number to HUF 1.3bn, an EPS of HUF 87.7. Given that the company pays out 100% of its profit in dividends, next year's dividend (paid from this year's profit) should be HUF 87.8/share, a yield of 6.4% at the current share price.

ANY: 4Q19E preview

(HUF m)	4Q18	1Q19	2Q19	3Q19	4Q19E	yoy	qoq
Revenues	7,402	7,441	8,649	9,188	8,100	9.4%	-11.8%
Security Products	2,199	2,393	2,546	2,404	2,400	9.1%	-0.2%
Card Production	2,107	2,228	2,792	3,475	2,550	21.0%	-26.6%
Form Production	2,402	2,361	2,638	2,801	2,600	8.2%	-7.2%
Traditional Printing	444	291	536	372	400	-9.9%	7.5%
Other	250	168	136	136	150	-40.0%	10.3%
Material expenses	-5,180	-5,226	-5,878	-6,297	-5,547	7.1%	-11.9%
Personnel expenses	-1,436	-1,660	-1,944	-2,128	-1,850	28.8%	-13.1%
Other expenses	-190	201	1	224	60	n.m.	-73.2%
EBITDA	596	755	829	987	763	28.0%	-22.7%
D&A	-289	-312	-319	-333	-325	12.5%	-2.4%
EBIT	306	443	510	653	438	42.9%	-33.0%
Financial result	-29	-23	-23	-23	-25	-12.9%	7.8%
Pre-tax profit	278	420	487	630	413	48.7%	-34.5%
Tax	-28	-43	-55	-209	-50	77.5%	-76.3%
Net income	241	377	432	421	363	51.1%	-13.6%
Minorities	57	62	96	64	74	29.3%	16.4%
Net income for shareholders	183	315	336	357	289	57.8%	-19.0%
EBITDA margin	8.1%	10.1%	9.6%	10.7%	9.4%	1.37pp.	-1.32pp.
EBIT margin	4.1%	6.0%	5.9%	7.1%	5.4%	1.27pp.	-1.70pp.
Net Income margin	3.2%	5.1%	5.0%	4.6%	4.5%	1.24pp.	-0.09pp.
Net Income for shareholders margin	2.5%	4.2%	3.9%	3.9%	3.6%	1.10pp.	-0.31pp.

Source: Company data, WOOD Research

Forecasts update

We have updated our forecasts over the next three years for ANY, incorporating significantly higher top-line growth than estimated previously, increasing our revenue estimates by 19-20% over 2019-21E. The main drivers of growth have been its security products and card production business units, outperforming our original expectations significantly. However, the growth came at a lower margin, with material expenses eroding the bottom line, increasing its share of revenues from 1.75% to 2.2% over the next three years. Wage cost pressure has been higher than anticipated, coming from both a higher increase in wages, as well as higher expenses due to overtime; therefore, we have increased our personnel cost expectations. Combined, the impact on the bottom line is roughly neutral for 2019-20E, expecting net income higher by 4% and 1%, respectively, than our previous forecasts, while we expect 7% lower income than before for 2021E, due to further wage and COGS cost inflation.

Forecasts update (2019-21E)

HUFbn	2019E			2020E			2021E		
	New	Old	% change	New	Old	% change	New	Old	% change
Revenue	33.4	27.8	20%	32.5	27.2	19%	33.7	28.2	20%
Material expenses	-22.9	-18.6	23%	-22.1	-17.9	23%	-22.8	-18.5	24%
Personnel expenses	-7.6	-6.1	24%	-7.8	-6.2	25%	-8.1	-6.4	27%
Other expenses	0.5	0.0	n.m.	0.5	0.0	n.m.	0.5	0.0	n.m.
EBITDA	3.3	3.0	9%	3.2	3.1	5%	3.3	3.3	-1%
D&A	-1.3	-1.1	15%	-1.3	-1.1	13%	-1.3	-1.2	13%
EBIT	2.0	1.9	6%	1.9	1.9	0%	2.0	2.1	-8%
Net finance income/(expense)	-0.1	-0.2	-46%	-0.1	-0.2	-44%	-0.1	-0.2	-49%
Profit before tax	2.0	1.8	11%	1.8	1.7	5%	1.9	1.9	-3%
Tax	-0.4	-0.2	73%	-0.3	-0.2	56%	-0.3	-0.2	43%
Net income	1.6	1.5	3%	1.5	1.5	-2%	1.5	1.7	-9%
Minorities	0.3	0.3	-4%	0.3	0.3	-10%	0.3	0.4	-17%
Net income for shareholders	1.3	1.2	4%	1.2	1.2	1%	1.2	1.3	-7%
Material expenses % of sales	68.8%	67.0%	1.75pp.	67.8%	65.8%	2.00pp.	67.7%	65.5%	2.20pp.
Personnel expenses % of sales	22.7%	22.0%	0.75pp.	23.9%	22.9%	0.99pp.	24.1%	22.8%	1.36pp.
EBITDA margin	10.0%	11.0%	-0.97pp.	9.9%	11.2%	-1.37pp.	9.7%	11.7%	-1.98pp.
Net Income for shareholders margin	3.9%	4.5%	-0.58pp.	3.7%	4.4%	-0.69pp.	3.6%	4.7%	-1.05pp.

Source: WOOD Research

Valuation

Valuation summary

We have updated our PT for ANY PLC to HUF 1,469/share, maintaining our HOLD rating. Our PT is derived from our DCF 12-month PT of HUF 1,546/share and DDM PT of HUF 1,393/share, equally weighted. Our PT implies 6% upside to the current HUF 1,380 share price.

Valuation summary

	Equity value (HUF m)	Per share
DCF	22,869	1,546
DDM	20,609	1,393
12-month PT (HUF)	21,739	1,469
Current price (HUF)		1,380
Upside		6%

Source: WOOD Research

DCF: 12M price target of HUF 1,546/share

We base our DCF valuation on the following assumptions:

- ✓ A blended WACC of 7.8%, including:
 - i. A weight of 61% for Hungary and 39% for Romania, based on the forecast domestic/export revenue split for 2019-28E.
 - ii. A risk free rate of 4% for Hungary and 5% for Romania.
 - iii. An equity risk premium of 4.5% for Hungary and 5% for Romania.
 - iv. A debt risk premium of 1.5% for the company.
 - v. An unlevered beta of 0.70x, given the company's lower sensitivity to economic cycle, implying a 1.21x levered beta using its D/E ratio.
- ✓ A terminal growth rate of 2%, given the long-term industry dynamic implying digitalisation, in line with our expectation of a slowdown, after assuming an organic sales (excluding elections revenues) CAGR of 3.6% over 2019-23E.
- ✓ An average cash conversion cycle of 63 days for the period.
- ✓ Minorities implied as 17% of the EV based on its share of the 2017 book value to total equity.

DCF valuation

HUF m	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Revenue	33,378	32,524	33,723	35,975	36,174	38,252	38,312	40,411	40,550	42,731
EBIT	2,045	1,926	1,968	2,158	2,179	2,456	2,512	2,858	2,854	3,260
Cash taxes on EBIT	374	342	349	382	375	423	432	492	491	560
NOPAT	1,671	1,585	1,619	1,777	1,804	2,033	2,079	2,366	2,363	2,700
Depreciation	1,289	1,282	1,299	1,315	1,324	1,333	1,341	1,350	1,359	1,368
Change in operating WC	-877	58	-303	-204	-134	-260	-115	-257	-135	-31
CAPEX	-2,600	-1,410	-1,428	-1,381	-1,390	-1,399	-1,408	-1,418	-1,427	-1,436
Net investment	-2,188	-70	-432	-270	-200	-326	-182	-325	-203	-100
FCF	-517	1,515	1,186	1,507	1,604	1,707	1,897	2,041	2,160	2,601
Discount factor		0.93	0.86	0.80	0.74	0.69	0.64	0.59	0.55	0.51
PV of FCF		1,402	1,019	1,201	1,186	1,172	1,208	1,206	1,184	1,323
SUM of PV FCF		10,902								
Long term FCF growth rate		2.0%								
Residual value at horizon		45,998								
PV of Residual value		23,404								
Net debt		7,822								
Minorities (BV weighted)		5,708								
Equity value		20,776								
Number of shares (m)		14.79								
Equity value per share		1,404								
12M price target		1,546								
% upside		12%								

Source: WOOD Research

WACC estimate

	Hungary	Romania
Risk free rate	4.0%	5.0%
Unlevered beta	0.70	0.70
Levered beta	1.21	1.21
Equity risk premium	4.5%	5.0%
Cost of equity	9.4%	11.1%
Risk free rate	4.0%	5.0%
Debt risk premium	1.5%	1.5%
Tax rate	9.0%	16.0%
After-tax cost of debt	5.0%	5.5%
%D	47%	47%
%E	53%	53%
WACC	7.4%	8.4%
Weight	61%	39%
Cost of equity blended	10.1%	
WACC blended	7.8%	

Source: WOOD Research

DDM: 12M price target of HUF 1,393/share

We base our DDM valuation on the following assumptions:

- ✓ A blended cost of equity of 10.1%, including:
 - i. A weight of 61% for Hungary and 39% for Romania based on the forecast domestic/export revenue split for 2019-28E.
 - ii. A risk free rate of 4% for Hungary and 5% for Romania.
 - iii. An equity risk premium of 4.5% for Hungary and 5% for Romania.
 - iv. An unlevered beta of 0.70x, given the company's lower sensitivity to the economic cycle, implying a 1.21x levered beta using its D/E ratio.
- ✓ A terminal growth rate of 2%, given the long-term industry dynamic implying digitalisation, in line with our expectation of a slowdown, after assuming an organic sales (excluding elections revenues) CAGR of 3.6% over 2019-23E.
- ✓ A payout ratio of 100%.

DDM valuation

HUF m	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Net income to shareholders	1,298	1,198	1,226	1,355	1,374	1,560	1,599	1,828	1,829	2,109
Dividend	1,140	1,298	1,198	1,226	1,355	1,374	1,560	1,599	1,828	1,829
Payout ratio	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Discount factor		0.95	0.86	0.78	0.71	0.65	0.59	0.53	0.48	0.44
PV of Dividend		1,232	1,033	960	964	888	916	853	886	806
SUM of PV Dividend		8,540								
Long term FCF growth rate		2.0%								
Residual value at horizon		23,121								
PV of residual value		10,184								
Equity value		18,724								
Number of shares (m)		14.79								
Equity value per share		1,266								
12M price target		1,393								
% upside		1%								

Source: WOOD Research

Peer comparison

As ANY combines both traditional printing services and direct mail services with more specialised niche services, such as cards or securities printing, we cannot find a perfect peer for the company. We have found peers that are active throughout several areas of the printing industry, with different proportions of these services in their turnovers. At a 2019E P/E of 15.7x and a 2020E P/E of 17.0x, ANY trades at premiums of 63.6% and 98.3%, respectively, vs. its peers. At EV/EBITDAs of 8.8x for 2019E and 9.2x for 2020E, ANY trades at premiums of 64.2% and 67.3%, respectively, vs. its peers. Also, ANY offers a dividend yield of 6.4% on our 2020E, which represents a 29.3% higher yield than its peers. As the result of a higher dividend yield and its exposure to the securities and card printing industries, which offer some protection against the global decline in the printing industry and even growth opportunities in Eastern European countries, where the demand for such services is increasing, we believe that ANY deserves to trade at a premium to its peers. Still, we do not believe that a much higher premium than the current one would be justified.

Peer comparison

Name	Country	Market cap (EUR m)	P/E			EV/EBITDA			Dividend yield		
			2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E
DE LA RUE PLC	GB	168	3.1x	13.0x	8.0x	4.1x	8.1x	6.5x	18.2%	18.2%	18.2%
ELANDERS AB-B SHS	SW	292	9.8x	8.6x	7.8x	5.1x	4.9x	4.7x	3.8%	4.2%	4.6%
ORELL FUSSLI AG-REG	SZ	177	18.1x	19.7x	18.7x	3.5x	3.7x	3.7x	5.6%	5.6%	5.6%
VALID SOLUCOES SA	BZ	233	9.6x	7.9x	6.8x	5.8x	5.1x	5.1x	4.9%	1.1%	3.0%
RR DONNELLEY & SONS CO	US	264	4.6x	4.7x	n.a.	5.5x	5.6x	n.a.	n.a.	n.a.	n.a.
TUNGKONG INC -A	CH	886	24.7x	21.8x	12.8x	14.1x	13.1x	n.a.	2.0%	2.2%	n.a.
TRANSCONTINENTAL INC-CL A	CA	928	6.4x	6.6x	6.6x	5.4x	5.5x	5.6x	5.6%	5.7%	5.9%
MEDIAN			9.6x	8.6x	7.9x	5.4x	5.5x	5.1x	5.3%	4.9%	5.6%
ANY PLC		62	15.7x	17.0x	16.7x	8.8x	9.2x	9.2x	5.6%	6.4%	5.9%
Discount/premium			63.6%	98.3%	110.6%	64.2%	67.3%	81.0%	6.0%	29.3%	4.8%

Source: Bloomberg, WOOD Research

Risks

Macro risks. With more than 85% of its revenues derived from Hungary and Romania, ANY operates in very favourable macro environments in both countries, with our house view expecting Hungary to grow by 4.2% in 2020E, from 4.9% in 2019E, and Romania at 4.0% in 2020E, continuing its high growth path. While this momentum is supporting the company, a change in the growth trajectory might affect performance. However, we see ANY and most of its business lines, apart from card production, as being more resilient to the economic cycle.

Tax risk. With the corporate tax rate having been lowered in Hungary to 9% in 2017, the company is benefiting from a lower tax base than in the past. Although we do not see any intentions for any corporate tax rate hikes, and we assume an effective tax higher than what the corporate tax rate in Hungary, we highlight this as a risk, particularly as the company has a dividend payout ratio of 100%.

Labour costs. Both Hungary and Romania's labour markets are very tight at the moment, with our house view expecting wages to increase by 10% or more in 2020E in Hungary, while we expect the trend of double-digit nominal wage growth experienced over the past year to continue in 2020E in Romania. Wage cost pressure has been higher than we expected for the company, and this could remain the case going forward. While we expect personnel costs to grow at an annual rate of 6.1% over 2018-23E, upside risks for our estimates could erode the margin further.

FX risks. The company does not have much FX exposure due to its operations, given that most of its debt is in HUF; and, while parts of its input costs are in EUR, these are naturally hedged by the EUR revenues from its export markets. However, due to its subsidiaries in Romania and Bulgaria, the company is exposed to translation risk from RON and BGN back to HUF.

Digitalisation. We see the current trend of the digitalisation of the security printing market as negative for ANY, particularly for its form production business line. This represented 31% of the company's revenue in 2019E, and a large part of it consists of transactional mailing, such as invoices and bank statements delivery, which we believe is likely to be the most affected by the trend. Although the penetration rate of the electronic delivery of invoices is still very low in its core markets, a convergence to more developed markets would result in a shrinking size of the overall market. We have taken this into account in our assumptions, with form production expected to grow at a CAGR of 2% over 2018-23E, the slowest of the company's three strategic business lines; however, an acceleration of the trend could erode the top line further. At the same time, a 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, which are of lower value, but higher profitability. This gives it the ability to gain market share at the expense of smaller and less diverse competitors. Furthermore, digitalisation could be beneficial for its card production side, where a pick-up in contactless cards and the further conversion of government-issued documents to electronic, such as health registration cards, could mitigate the impact.

Customer concentration. With a large part of its revenues coming from governmental contracts, ANY has a large customer concentration in its portfolio. Although the loss of such a contract could affect the business adversely, we highlight that ANY has a long tradition of working with the Hungarian government, and that these type of contracts require significant local presence and expertise in order to be executed. As such, we see this as a very low probability scenario.

Financials

Income statement

HUF m	2016	2017	2018	2019E	2020E	2021E	2022E
Revenue	24,911	26,181	30,527	33,378	32,524	33,723	35,975
Material expenses	-16,145	-17,270	-21,590	-22,948	-22,052	-22,830	-24,427
Personnel expenses	-5,601	-5,957	-6,505	-7,582	-7,758	-8,138	-8,619
Other expenses	-188	114	554	486	493	511	545
EBITDA	2,977	3,068	2,986	3,334	3,208	3,266	3,474
D&A	-1,008	-1,070	-1,133	-1,289	-1,282	-1,299	-1,315
EBIT	1,969	1,998	1,853	2,045	1,926	1,968	2,158
Net finance income/(expense)	-103	-94	-101	-94	-118	-118	-121
Profit before tax	1,866	1,904	1,752	1,951	1,808	1,849	2,037
Tax	-281	-458	-362	-357	-321	-328	-360
Net income	1,585	1,446	1,391	1,594	1,488	1,522	1,677
Minorities	383	406	251	296	290	296	322
Net income for shareholders	1,202	1,040	1,140	1,298	1,197	1,226	1,355
Material expenses % of sales	64.8%	66.0%	70.7%	68.8%	67.8%	67.7%	67.9%
Personnel expenses % of sales	22.5%	22.8%	21.3%	22.7%	23.9%	24.1%	24.0%
EBITDA margin	12.0%	11.7%	9.8%	10.0%	9.9%	9.7%	9.7%
EBIT margin	7.9%	7.6%	6.1%	6.1%	5.9%	5.8%	6.0%
Pre-tax margin	7.5%	7.3%	5.7%	5.8%	5.6%	5.5%	5.7%
Tax rate	15.1%	24.0%	20.6%	18.3%	17.7%	17.7%	17.7%
Net Income margin	6.4%	5.5%	4.6%	4.8%	4.6%	4.5%	4.7%
Net Income for shareholders margin	4.8%	4.0%	3.7%	3.9%	3.7%	3.6%	3.8%
Sales growth	16.6%	5.1%	16.6%	9.3%	-2.6%	3.7%	6.7%
EBITDA growth	30.7%	3.1%	-2.7%	11.6%	-3.8%	1.8%	6.4%
Operating profit growth	44.2%	1.4%	-7.3%	10.4%	-5.8%	2.1%	9.7%
Pre-tax profit growth	37.8%	2.0%	-8.0%	11.3%	-7.3%	2.3%	10.1%
Net income growth	25.2%	-8.8%	-3.9%	14.6%	-6.7%	2.3%	10.2%
Net income for shareholders growth	29.1%	-13.5%	9.6%	13.9%	-7.8%	2.4%	10.5%

Source: Company data, WOOD Research

Balance sheet

HUFm	2016	2017	2018	2019E	2020E	2021E	2022E
Current assets	7,754	9,724	10,289	12,584	12,456	12,765	13,351
Cash and cash equivalents	865	867	1,020	963	1,107	1,035	1,102
Trade receivables	3,445	4,659	4,737	6,676	6,505	6,745	6,998
Inventories	2,144	2,804	3,519	3,932	3,832	3,973	4,238
Other ST assets	1,299	1,395	1,013	1,013	1,013	1,013	1,013
Fixed assets	7,620	7,949	9,016	10,327	10,455	10,585	10,650
PPE	7,230	7,571	8,550	9,861	9,989	10,119	10,185
Intangibles	50	37	125	125	125	125	125
Goodwill	335	336	336	336	336	336	336
Other LT assets	5	5	5	5	5	5	5
Total assets	15,374	17,673	19,305	22,910	22,911	23,350	24,001
Current liabilities	5,426	8,227	10,060	12,412	12,141	12,522	13,040
ST debt	1,036	3,160	4,888	5,765	5,707	6,009	6,213
ST lease liabilities	264	324	386	386	386	386	386
trade payables	2,467	2,659	3,372	4,847	4,634	4,712	5,027
other payables	966	1,565	730	730	730	730	730
other s/t liabilities	693	520	686	686	686	686	686
Long-term liabilities	2,573	2,231	2,102	3,002	3,202	3,052	2,852
LT debt	1,633	1,445	1,253	2,153	2,353	2,203	2,003
LT lease liabilities	515	376	482	482	482	482	482
Deferred tax	302	315	328	328	328	328	328
Other LT liabilities	122	95	39	39	39	39	39
Shareholders' equity	7,374	7,215	7,142	7,496	7,568	7,776	8,109
Share capital	1,450	1,450	1,450	1,450	1,450	1,450	1,450
Capital reserve	251	251	251	251	251	251	251
Retained earnings	5,005	4,904	4,875	5,034	4,934	4,962	5,091
Treasury shares	-455	-455	-455	-455	-455	-455	-455
Minority interest	1,124	1,167	1,052	1,247	1,419	1,599	1,803
Total equity and liabilities	15,374	17,673	19,305	22,910	22,911	23,350	24,001
Net debt	2,583	4,438	5,988	7,822	7,821	8,045	7,982
Net debt/EBITDA	0.9	1.4	2.0	2.3	2.4	2.5	2.3
Net debt/equity	0.4	0.6	0.8	1.0	1.0	1.0	1.0
Receivable days	50.5	64.9	56.6	73.0	73.0	73.0	71.0
Inventory days	31.4	39.1	42.1	43.0	43.0	43.0	43.0
Payable days	36.2	37.1	40.3	53.0	52.0	51.0	51.0

Source: Company data, WOOD Research

Cash flow statement

HUF m	2016	2017	2018	2019E	2020E	2021E	2022E
Net income	1,866	1,904	1,752	1,951	1,809	1,850	2,038
D&A	1,008	1,070	1,133	1,289	1,282	1,299	1,315
other	35	113	15	94	117	117	121
changes in WC, o/w	-261	-1,441	-204	-877	58	-303	-204
Receivables	-240	-1,360	291	-1,939	171	-240	-253
Inventories	-220	-701	-537	-413	101	-141	-265
Payables	199	620	42	1,475	-213	78	315
Cash from operations	2,648	1,646	2,696	2,457	3,266	2,964	3,270
Interest paid	-105	-86	-96	-94	-117	-117	-121
Income tax paid	-267	-304	-341	-357	-321	-328	-360
Operating cash flow	2,276	1,257	2,259	2,006	2,828	2,518	2,789
Capex	-4,429	-1,426	-2,200	-2,600	-1,410	-1,428	-1,381
Other invs/divest.	89	31	5	0	0	0	0
Investment cash flow	-4,340	-1,394	-2,195	-2,600	-1,410	-1,428	-1,381
Borrowings	2,747	1,821	1,480	1,777	142	153	4
Dividends	-962	-1,243	-1,169	-1,140	-1,298	-1,198	-1,226
Other	329	-440	-223	-100	-118	-116	-118
Financing cash flow	2,114	139	89	537	-1,275	-1,162	-1,341
Net change in cash and equivalents	51	1	154	-57	144	-72	67
Beginning cash and equivalents	815	866	867	1,020	963	1,107	1,035
Ending cash and equivalents	865	867	1,020	963	1,107	1,035	1,102

Source: Company data, WOOD Research

Ratios

	2016	2017	2018	2019E	2020E	2021E	2022E
Number of shares (m)	14.79	14.79	14.79	14.79	14.79	14.79	14.79
Price eop (HUF)	1,069	1,335	1,295	1,380	1,380	1,380	1,380
Market cap	15,814	19,751	19,159	20,417	20,417	20,417	20,417
EV	19,521	25,356	26,199	29,486	29,656	30,061	30,201
EPS (HUF)	81.3	70.3	77.1	87.7	81.0	82.9	91.6
- EPS growth	29%	-13%	10%	14%	-8%	2%	11%
Dividend (HUF m)	962	1,243	1,169	1,140	1,298	1,198	1,226
DPS (HUF)	65.00	84.00	79.02	77.05	87.75	80.97	82.88
- Payout Ratio	103%	103%	112%	100%	100%	100%	100%
Dividend yield	6.1%	6.3%	6.1%	5.6%	6.4%	5.9%	6.0%
BVPS (HUF)	422	409	412	422	416	418	426
ROE	19.2%	17.2%	18.7%	20.8%	19.5%	19.9%	21.5%
PE (x)	13.2	19.0	16.8	15.7	17.0	16.7	15.1
EV/EBITDA (x)	6.56	8.26	8.77	8.84	9.24	9.20	8.69
EV/EBIT	9.91	12.69	14.14	14.42	15.40	15.28	13.99
EV/Sales	0.78	0.97	0.86	0.88	0.91	0.89	0.84
P/FCF	-8.3	-135.5	93.6	-39.5	13.5	17.2	13.5
P/BV	2.5	3.3	3.1	3.3	3.3	3.3	3.2

Source: WOOD Research

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BRD	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
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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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Orange PL	5
Pekao	4, 5
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PGNIG	5
Philip Morris CR	5
PKN Orlen	5
PKO BP	4, 5
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