

23 November 2020

ANY PLC

BUY

ANY Security Printing Company: 3Q20 results review - numbers improve, amid recovering sales

BBG Ticker	ANY HB
Market Cap (USD mil)	57.3
Price	1,170
Price target	1,424
Upside	21.7%



ANY reported its 3Q20 results on Friday (20 November), after the market closed. Net income came in at HUF 205m, down 42.5% yoy but better qoq, amid recovering sales, while a better cash conversion cycle improved cash flows. Export revenues improved marginally qoq, to reach HUF 2,713m in 3Q20, accounting for 38% of total sales. Contrary to our expectations for the quarter and the rest of the year, net debt to EBITDA actually decreased, on slightly lower debt and an increased cash position.

We have updated our estimates and price target only recently (please click [here](#) for further details) and believe the company is on track to meet our estimates. We have a BUY recommendation on ANY and believe the results support our thesis. Currently, the stock trades at 8.2x our EV/EBITDA for 2021E and 6.6x our EV/EBITDA for 2022E.

POSITIVE

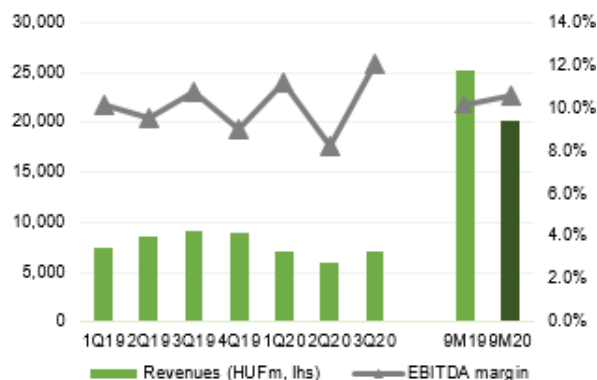
Following a tough second quarter, 3Q20 showed the resilience of the company's business. Revenues, while down 22% yoy, grew 19% qoq. The recovery was seen mostly in the key business lines - security products and card production - which were each more than 30% higher qoq. Form production improved, as well, while traditional printing showed another decline. While the export markets remained mostly flat vs. the previous quarter, a sharp decline in card production (-67.4% qoq) for export was offset by a strong rebound in security products for export (+46.5% qoq). Form production, in the export business, remained resilient, declining only 4.4% yoy and increasing 7.8% qoq.

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ANY: revenues and EBITDA margin



Source: Company data, WOOD Research

Materials expenses moved more or less together with sales, and accounted for 67.1% of total sales, in line with our estimates during our last update. Personnel expenses decreased 21.1% yoy and 3% qoq, due mostly to cost-efficiency initiatives, which have continued to bear fruit during the third quarter as well. EBITDA was thus recorded at HUF 864m, down 13% yoy but 76% higher compared to the previous quarter. Considering the developments on the cost side, the improvement at the EBITDA level can be attributed mostly to improving sales.

Below the EBITDA line, the company reported operating income of HUF 483m (-26% yoy, +275% qoq) and a lower financial result, mostly on the back of the increased leverage vs. last year. This resulted in a net income of HUF 205m (-43% yoy, 23x higher qoq).

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While we expected an increase in the net debt to EBITDA ratio over the course of this year, it has actually improved vs. the previous quarter, and decreased to 1.93x, mostly on the back of a better cash conversion cycle, which resulted in a higher cash position. A slightly lower total debt level has obviously played a role too. Should the strong cash conversion cycle be preserved over the fourth quarter, the company could be in quite a comfortable position to return to paying dividends next year, in our view.

ANY Security Printing Company: summary financials

(HUFm)	3Q19	2Q20	3Q20	yoy	qoq
Revenues	9,188	5,991	7,144	-22.2%	19.3%
Security Products	2,404	1,368	1,857	-22.8%	35.7%
Card Production	3,475	1,728	2,266	-34.8%	31.1%
Form Production	2,801	2,344	2,483	-11.4%	5.9%
Traditional Printing	372	392	354	-4.8%	-9.7%
Other	136	159	184	35.3%	15.7%
Materials expenses	-6,297	-4,175	-4,794	-23.9%	14.8%
Personnel expenses	-2,128	-1,727	-1,676	-21.2%	-3.0%
Other expenses	224	401	190	-15.2%	-52.6%
EBITDA	987	491	864	-12.5%	76.0%
D&A	-333	-362	-380	14.1%	5.0%
EBIT	653	129	483	-26.0%	275.1%
Financial result	-23	-37	-41	75.1%	11.2%
Pre-tax profit	630	92	443	-29.7%	379.4%
Tax	-209	-20	-209	-0.2%	943.9%
Net income	421	72	234	-44.5%	223.1%
Minorities	64	64	28	-55.3%	-55.2%
Net income for shareholders	357	9	205	-42.5%	2234.2%

Source: Company data, WOOD Research

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ANY Security Printing Company: operational data summary

	3Q19	2Q20	3Q20	yoy	qoq
Materials expenses % of revenues	68.5%	69.7%	67.1%	-1.43pp.	-2.59pp.
Personnel expenses % of revenues	23.2%	28.8%	23.5%	0.30pp.	-5.37pp.
EBITDA margin	10.7%	8.2%	12.1%	1.35pp.	3.90pp.
EBIT margin	7.1%	2.2%	6.8%	-0.35pp.	4.62pp.
Net Income margin	4.6%	1.2%	3.3%	-1.31pp.	2.06pp.
Net Income for shareholders margin	3.9%	0.1%	2.9%	-1.01pp.	2.73pp.
Business lines as % of revenues					
Security Products	26%	23%	26%	-0.17pp.	3.16pp.
Card Production	38%	29%	32%	-6.10pp.	2.87pp.
Form Production	30%	39%	35%	4.27pp.	-4.37pp.
Traditional Printing	4%	7%	5%	0.91pp.	-1.59pp.
Other	1%	3%	3%	1.10pp.	-0.08pp.
Export revenues					
Security Products	3,650	2,659	2,713	-25.7%	2.0%
Card Production	822	166	243	-70.4%	46.4%
Form Production	352	261	85	-75.9%	-67.4%
Traditional Printing	2,344	2,079	2,242	-4.4%	7.8%
Other	2	4	4	100.0%	0.0%
Other	130	149	139	6.9%	-6.7%
Export as % of total revenues					
Security Products	40%	44%	38%	-1.75pp.	-6.41pp.
Card Production	34%	12%	13%	-21.11pp.	0.95pp.
Form Production	10%	15%	4%	-6.38pp.	-11.35pp.
Traditional Printing	84%	89%	90%	6.61pp.	1.60pp.
Other	1%	1%	1%	0.59pp.	0.11pp.
Other	96%	94%	76%	-20.04pp.	-18.17pp.
Receivable days					
Receivable days	77	53	49	-28	-4
Inventory days					
Inventory days	44	46	49	5	2
Payable days					
Payable days	48	28	40	-8	11
Cash conversion cycle					
Cash conversion cycle	73	71	58	-14	-13

Source: Company data, WOOD Research

Year	Sales (HUFm)	EBITDA (HUFm)	EBIT (HUFm)	Net Income (HUFm)	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%
2019	34,130	3,372	2,083	1,273	86.0	16.2	8.1	77.1	5.5%
2020E	28,892	2,345	1,058	835	43.0	28.2	10.8	0.0	0.0%
2021E	32,349	2,998	1,893	1,033	69.8	17.3	8.2	64.4	5.3%
2022E	35,320	3,739	2,415	1,510	102.1	11.9	6.6	69.8	5.8%

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Date	Rating	Date	PT
15/12/2017	HOLD - initiation of coverage	15/12/2017	HUF 1,406
		20/12/2019	HUF 1,469
13/11/2020	BUY - transfer of coverage	13/11/2020	HUF 1,424

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BRD	5	MedLife	4
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Santander Bank Polska	5	O2 Czech Republic	1, 4, 5
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