

Comp S.A.



Price target: PLN 70.20

Update

Rating: BUY

Comp's (CMP) Q1/22 results were a negative surprise for us due to the low profitability of the Retail segment and strong decline of revenues in both business areas. While this year there is no positive impact from fiscalization in Poland, the IT segment continues to suffer due to issues with the availability of components. Also, in Q1/22 there was an increase of net debt by PLN 47m q-o-q, which resulted from the purchase of components in advance and pre-financing of contracts. Nevertheless, we expect an improvement of results in Q2-Q4 2022E and, in-line with Comp's new strategy for 2022E-2025E, a significant increase of recurring revenues from value-added services for online cash registers such as M/Platform, e-payments and e-invoices in the coming years. Based on the information in the Q1 report, we have decided to lower our forecasts for 2022E again, which together with a slightly higher WACC (13.8% vs. 13.7% previously) also reduces our 12-months SOTP-based PT from PLN 89.60 to PLN 70.20 (BUY rating maintained). We see potential for further cash generation in the sale of non-core assets and efficiency improvements in the near future.

The main factors that affected CMP's results in Q1/22 were the absence of an obligation to exchange old cash registers in Poland (only car washers had to do it) and problems with the availability/delivery of electronic components. In the Retail segment (incl. M/Platform, which according to CMP was introduced in a few hundred additional shops in Q1), sales went down by 29.8% y-o-y to PLN 79.6m and the EBIT margin declined from 15.5% in Q1/21 to 4.2%. In the IT segment, revenues dropped by 14.8% to PLN 49.6m and the operating margin from 6.3% last year to 0%. Due to new debt of PLN 108.9m the cash position declined by just PLN 7.2m despite much weaker operating cash flow y-o-y (PLN -32.6m vs. PLN -14.1m in Q1/21).

Following surprisingly weak Q1/22 results, we have lowered our estimates for 2022E again. Our forecasts for M/Platform remain unchanged. Regarding Comp's consolidated results, we now expect PLN 544.7m (previously: PLN 579.5m) for revenues, PLN 8.8m (PLN 23.7m) for EBIT and PLN -1.4m (PLN 9m) for net income.

in PLNm	2019	2020	2021	2022E	2023E	2024E
Net sales	730.55	720.61	820.92	544.72	565.77	612.35
EBITDA	92.72	78.18	110.09	55.59	72.36	85.14
EBIT	54.15	35.48	63.38	8.84	25.56	38.29
Adj. Net income*	30.61	19.88	35.78	-1.41	12.08	23.00
Adj. EPS*	5.33	3.36	6.05	neg	2.53	4.81
DPS	0.00	3.00	3.00	5.00	5.00	5.00
Dividend yield	0.00%	7.06%	7.06%	11.76%	11.76%	11.76%
RoE	3.82%	3.02%	6.88%	-0.26%	2.26%	4.30%
Net gearing	45.51%	30.81%	18.94%	18.61%	19.19%	19.78%
EV/Sales	0.55x	0.55x	0.49x	0.73x	0.71x	0.65x
EV/EBITDA	4.31x	5.11x	3.63x	7.19x	5.52x	4.70x
Adj. P/E*	7.97x	12.65x	7.03x	neg	16.82x	8.84x

* 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	42.50
No of shares (m)	5.92
Market cap. (PLNm)	251.52
Market cap. (EURm)	54.52
52-week range	PLN 64.60 / PLN 41.20
Avg. volume (3-months)	2,472

Performance

4-weeks	-12.01%
13-weeks	-7.61%
26-weeks	-19.20%
52-weeks	-27.33%
YTD	-18.27%

Shareholder structure

Own shares*	19.20%
MetLife Pension Fund	16.22%
NN Pension Fund	9.45%
Funds managed by AgioFunds	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

Q2/22 report	May 20, 2022
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Analyst

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Q1/22 results

Revenues and Profitability

In Q1/22, Comp's revenues reached PLN 128.9m, which corresponds to a 24.8% decline y-o-y. Compared to last year, when especially in H1/21 Comp reported record results as clients had to order many online cash registers due to the legal deadline in July 2021, the Retail segment (incl. the M/Platform) reported a 29.8% decline of sales and a 11.3% lower EBIT margin. However, the IT segment (14.8% decline of sales, EBIT margin of 0% vs. 6.3% in Q1/21) was hit hardest due to problems with the delivery of components. We estimate the Q1/22 sales of M/Platform (especially the modules M/Promo+ and M/Analytics) at c. PLN 4m. M/Promo+ is a module that allows small retailers to receive the same promotions from FMCG producers as large retail chains, while M/Analytics refers to aggregated data for FMCG producers about the demand for their products e.g. in certain regions.

In Jan-March 2022, Polish clients accounted for 91.3% of Comp's total revenues vs. 94.1% in the previous year. The two most-hit subsidiaries were ZUK Elzab S.A. (Sales: -40.8% y-o-y, EBIT margin: -4.6% vs. 10.4% in Q1/21), which produces fiscal devices, and the holding company Comp (Sales: -26.5% y-o-y, EBIT margin: 4.4% vs. 10.4%), which provides IT security solutions.

in PLNm	Q1/22	Q1/21
Segment Retail*	79.69	113.43
<i>Share in total sales</i>	61.8%	66.2%
EBIT margin	4.2%	15.5%
Segment IT	49.59	58.22
<i>Share in total sales</i>	38.5%	34.0%
EBIT margin	0.0%	6.3%
Others	-0.37	-0.22
<i>Share in total sales</i>	-0.3%	-0.1%
EBIT margin	1400.5%	2389.9%
Total sales	128.90	171.43

* incl. c. PLN 4m of revenues of M/Platform in Q1/22

Source: Company information, East Value Research GmbH

in PLNm	Q1/22	Q1/21	change y-o-y
Net sales	128.90	171.43	-24.8%
EBITDA	9.80	27.65	-64.6%
<i>EBITDA margin</i>	7.6%	16.1%	
EBIT	-1.88	16.05	-111.7%
<i>EBIT margin</i>	-1.5%	9.4%	
Net income	-2.06	10.65	-119.3%
<i>Net margin</i>	-1.6%	6.2%	

Source: Company information, East Value Research GmbH

Name of the subsidiary	Comp Group's stake	Revenues	Q1/22	
			EBIT	Net income
Comp S.A. (holding company)	100.0%	PLN 76.1m	PLN 3.4m	PLN 5.2m
Enigma Systemy Ochrony Informacji Sp. z.o.o	100.0%	PLN 22.6m	PLN -339k	PLN -669k
ZUK Elzab S.A.	78.4%	PLN 24.8m	PLN -1.1m	PLN -4.3m
Insoft Sp. z.o.o	52.0%	PLN 2.1m	PLN 505k	PLN 458k
Comp Centrum Innowacji Sp. z.o.o	50.1%	PLN 6.5m	PLN -3.5m	PLN -6.1m
Polski System Korzysci Sp. z.o.o	100.0%	PLN 45k	PLN -800k	PLN -751k

Source: Company information, East Value Research GmbH

As the profitability of its segments strongly declined y-o-y, Comp's EBIT deteriorated from PLN 16.1m in Q1/21 to PLN -1.9m. Between January and March 2022, the Group's gross margin equalled 28.2% compared to 31.6% in the previous year. At the end of March 2022, the company had 1,210 full-time employees (31/12/2021: 1,196, 31/12/2020: 1,207) on average.

Net income after minorities and discontinued operations reached PLN -2.1m after PLN 10.7m in Q1/21.

Balance sheet and Cash flow

At the end of March 2022, Comp had equity (excl. minority interests) of PLN 533.1m, or 58.8% of the balance sheet total. As of 31/03/2022, fixed and intangible assets (excl. goodwill) equalled PLN 70.8m (Q1/21: PLN 68.8m) and PLN 210.9m (PLN 206.7m) respectively. Based on our calculation, working capital was worth PLN 168.9m (PLN 189.4m). In our view, negative was the interest-bearing debt (bank loans, leasing, bonds), which amounted to PLN 182.7m (thereof: 87% short-term) and thus much more than at the end of 2021 (PLN 144m, thereof: 83% short term).

Between January and March 2022, Comp generated an operating cash flow of PLN -32.6m compared to PLN -14.1m in Q1/21. The main reason was a significantly lower EBIT y-o-y. Cash flow from investing equalled PLN -8.7m (Q1/21: PLN -10.7m), while cash flow from financing amounted to PLN 34.1m (PLN 21.9m) due to new debt of PLN 108.9m. Between January and March 2022, Comp's cash position declined by PLN 7.2m to PLN 30m.

On May 27, Comp announced that it would distribute in total PLN 23.9m to its shareholders for 2021: PLN 14.35m as dividends (PLN 3 per share) and PLN 9.56m through a share buyback. This is in-line with what management had promised last year as PLN 23.9m equals PLN 5 per share, if we take the company's 1.14m existing treasury shares into account. However, we do not like the idea of the share buyback as the stock's liquidity is very low.

Financial forecasts

Revenues and Profitability

Comp's Q1/21 were a negative surprise to us. Thus, we have lowered our estimates for 2022E again. For revenues, we now expect PLN 544.7m (previously: PLN 579.5m), for EBIT PLN 8.8m (PLN 23.7m) and for net income PLN -1.4m (PLN 9m). With unchanged assumptions for the coming years, this reduces the expected long-term sales CAGR from 0.5% to 0%.

On 8 April 2022, Comp announced that together with CompuGroup Medical Polska Sp. z.o.o. it had signed a 2-year contract for the implementation of IT hardware and related services as part of the Pomerania e-health project. The total value of the project is PLN 110.4m gross, thereof Comp's share equals PLN 50.5m gross.

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

Retail segment (excl. M/Platform): After Q1/22, we have decided to lower the number of sold devices in 2022E from 110,000 before to 100,000. The average sale price per cash register and the expected sales related to maintenance of the fiscal equipment have remained unchanged.

In 2022E, we now expect sales of PLN 190m (previously: PLN 203m) and an EBIT margin of 7.1% (12.5%). From next year, the EBIT margin should return to a normal level of c. 12% on average. As we do not have visibility when it comes to sales of value-added services such as online payments, we have decided not to include them in our forecasts.

M/Platform: Regarding the modular cloud-based digital platform M/Platform, the M/Promo+ (allows FMCG producers to target all their promotions to traditional retailers that are using M/Platform) and M/Analytics (aggregated data for FMCG producers about the demand for their products) modules are already generating sales. New modules such as M/Store (an online platform allowing retailers to place orders at various wholesalers) and M/Loyalty (loyalty system for traditional retailers) are expected to go live soon.

We have kept our estimates for 2022E and beyond unchanged. In 2022E, we forecast 15,000 shops on the platform, a transaction volume of PLN 1.1bn, revenues of PLN 16.5m and an EBIT margin of -4%. In the long run, we estimate the sales CAGR at 40.4% and a target operating margin of c. 25%.

IT segment: Our expectation that Comp will have to cope with delays related to delivery of electronic components turned to be correct. However, the company's results have been much stronger affected by this than we had previously thought. Apart from the Pomeranian e-health contract, we see a high probability that in the coming months Comp will sign a new 4-year contract for electronic monitoring of prisoners in Poland (SDE4) over PLN 197.3m gross. It could also win similar but lower-volume contracts in Armenia and Romania.

Our new forecasts for 2022E are PLN 344.8m (previously: PLN 366.6m) for sales and an EBIT margin of 5.5% (6%). In the long run, we estimate the sales CAGR at 0.3% (1%) and expect a target EBIT margin of c. 5.2% (c. 5.5%).

in PLNm	2022E	2023E	2024E
Segment Retail (excl. M/Platform)	190.00	191.30	192.60
<i>Share in total sales</i>	<i>34.9%</i>	<i>33.8%</i>	<i>31.5%</i>
EBIT margin	7.1%	12.4%	12.3%
Number of fiscal equipment sold	100,000	101,000	102,000
Average price (PLN)	1,300	1,300	1,300
Service & maintenance (PLNk)	60,000	60,000	60,000
M/Platform	16.50	33.00	75.00
<i>Share in total sales</i>	<i>3.0%</i>	<i>5.8%</i>	<i>12.2%</i>
EBIT margin	-4.0%	8.0%	18.5%
Number of shops	15,000	22,000	28,000
Number of FMCG producers	30	40	50
Transaction volume (PLNk)	1,100,000	2,200,000	5,000,000
% fee	1.5%	1.5%	1.5%
Segment IT	344.78	348.23	351.71
<i>Share in total sales</i>	<i>63.3%</i>	<i>61.6%</i>	<i>57.4%</i>
EBIT margin	5.5%	5.9%	5.9%
Others	-6.56	-6.76	-6.96
Total sales	544.72	565.77	612.35
change y-o-y	-33.6%	3.9%	8.2%

Source: East Value Research GmbH

in PLNm	2022E		2023E		2024E	
	new	old	new	old	new	old
Net sales	544.72	579.50	565.77	600.76	612.35	647.56
EBITDA	55.59	70.43	72.36	75.27	85.14	88.04
<i>EBITDA margin</i>	<i>10.2%</i>	<i>12.2%</i>	<i>12.8%</i>	<i>12.5%</i>	<i>13.9%</i>	<i>13.6%</i>
EBIT	8.84	23.68	25.56	28.47	38.29	41.19
<i>EBIT margin</i>	<i>1.6%</i>	<i>4.1%</i>	<i>4.5%</i>	<i>4.7%</i>	<i>6.3%</i>	<i>6.4%</i>
Net income	-1.41	9.01	12.08	13.00	23.00	24.08
<i>Net margin</i>	<i>-0.3%</i>	<i>1.6%</i>	<i>2.1%</i>	<i>2.2%</i>	<i>3.8%</i>	<i>3.7%</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
Net sales	120.33	147.13	183.57	279.52	730.55	141.28	111.61	156.65	311.07	720.61
<i>change y-o-y</i>	0.4%	-7.1%	20.0%	13.3%	7.8%	17.4%	-24.1%	-14.7%	11.3%	-1.4%
EBITDA	14.45	25.38	26.36	26.53	92.72	23.83	4.18	20.48	29.69	78.18
<i>EBITDA margin</i>	12.0%	17.3%	14.4%	9.5%	12.7%	16.9%	3.7%	13.1%	9.5%	10.8%
EBIT	6.00	15.85	16.44	15.86	54.15	13.41	-6.21	9.24	19.04	35.48
<i>EBIT margin</i>	5.0%	10.8%	9.0%	5.7%	7.4%	9.5%	-5.6%	5.9%	6.1%	4.9%
Net income	0.49	2.09	8.12	7.90	18.59	4.26	-3.70	5.33	9.33	15.22
<i>Net margin</i>	0.4%	1.4%	4.4%	2.8%	2.5%	3.0%	-3.3%	3.4%	3.0%	2.1%

in PLNm	Q1/21	Q2/21	Q3/21	Q4/21	2021	Q1/22
Net sales	171.43	245.46	162.88	241.15	820.92	128.90
<i>change y-o-y</i>	21.3%	119.9%	4.0%	-22.5%	13.9%	-24.8%
EBITDA	27.65	43.50	18.34	20.61	110.09	9.80
<i>EBITDA margin</i>	16.1%	17.7%	11.3%	8.5%	13.4%	7.6%
EBIT	16.05	31.89	6.76	8.68	63.38	-1.88
<i>EBIT margin</i>	9.4%	13.0%	4.1%	3.6%	7.7%	-1.5%
Net income	10.65	23.29	3.27	-1.23	35.98	-2.06
<i>Net margin</i>	6.2%	9.5%	2.0%	-0.5%	4.4%	-1.6%

Source: Company information, East Value Research GmbH

CAPEX and Working capital

Our assumption for the gross CAPEX in 2022E-2024E of PLN 138.3m remains unchanged, while we also continue to expect that it will equal <6% of CMP's yearly sales in the long run.

Regarding working capital, we expect that its share in total sales will decline from 9.7% in 2021 to c. 8% in the future. In our view, the cash conversion cycle will remain at 30 days.

Valuation

In order to reflect all its business segments appropriately, we have valued Comp by using a Sum-of-the-Parts valuation. Our model accounts for the 1.14m shares, which have been bought back by Comp in the last years. With higher WACC (13.8% vs. 13.7% before) and net debt (PLN 148.3m vs. PLN 101.2m at the end of 2021), our updated valuation model results in a new 12-months PT of PLN 70.20 compared to PLN 89.60 before. With an upside of 65.2% at present, we maintain our BUY rating for Comp.

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 6.7% (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) *After-tax cost of debt*: 5.7%
- (5) *Levered beta*: 1.8x
- (6) *Equity costs*: 15.9%
- (7) *Equity risk premium (Poland)*: 5.08% (Source: www.damodaran.com)
- (8) *WACC*: 13.8%
- (9) *Sales growth in the terminal period*: 2%
- (10) Free cash flows are discounted to May 29, 2022

Sum-of-the Parts

We have valued all of Comp's business segments separately: (1) IT segment – based on peer group multiples for 2021-23E 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 177.8m	PLN 500.2m
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 2021, 89.4% of its sales stemmed from abroad and 78% from own products.	PLN 6.5bn	PLN 14.5bn
Comarch S.A.	Comarch provides software, hardware, integration and training services for clients from various sectors and public administration. Foreign markets account for c. 44% and own software for c. 19% of the company's total sales.	PLN 1.4bn	PLN 1.6bn
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 131.8m	PLN 205.3m
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 75.2m	PLN 62.6m

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
	2021	2022E	2023E	2021	2022E	2023E	Latest	Last FY	Latest
Wasko S.A. (PLN)	0.19x	n.a	n.a	4.77x	n.a	n.a	0.71x	6.64%	-32.22%
Asseco Poland S.A. (PLN)	0.47x	0.44x	0.43x	4.69x	4.56x	4.42x	1.03x	13.26%	5.76%
Comarch S.A. (PLN)	0.68x	0.64x	0.60x	5.90x	6.73x	6.69x	1.16x	15.79%	-26.19%
Atende S.A. (PLN)	0.66x	n.a	n.a	915.47x	n.a	n.a	1.99x	4.84%	5.62%
Passus S.A. (PLN)	1.14x	0.98x	0.82x	8.28x	8.90x	6.81x	5.52x	17.37%	-27.28%
Median	0.66x	0.64x	0.60x	5.90x	6.73x	6.69x			
Implied EV Comp S.A. - IT segment (PLN)	239.48	220.27	209.72	128.57	127.68	137.59			
Fair Enterprise Value - IT segment	177.22								

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

The valuation of Comp's IT segment is based on 2021 results, our estimates for 2022E-23E and median consensus multiples of Wasko, Asseco Poland, Comarch, Atende and Passus. It results in a Fair Enterprise Value of PLN 177.2m.

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 Commerce Inc., Chinese Urovo Technology and Uniform Industrial from Taiwan.

Our DCF model is based on a WACC of 13.8%, 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 85.8m.

in PLNm	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Net sales	190.00	191.30	192.60	193.90	195.20	196.50	197.80	199.10	200.40
(y-o-y change)	-59.1%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Operating profit	13.40	23.72	23.69	23.66	23.62	23.58	23.54	23.59	22.89
(operating margin)	7.1%	12.4%	12.3%	12.2%	12.1%	12.0%	11.9%	11.9%	11.4%
NOPAT	10.85	19.21	19.19	19.16	19.13	19.10	19.07	19.11	18.54
+ Depreciation & amortisation	16.15	16.31	16.47	16.64	16.80	16.97	17.14	17.31	17.48
= Net operating cash flow	27.00	35.52	35.66	35.80	35.93	36.07	36.21	36.42	36.02
- Total investments (Capex and WC)	-20.33	-20.52	-20.71	-20.90	-21.10	-21.29	-21.49	-21.69	-21.89
Capital expenditures	-16.15	-16.31	-16.47	-16.64	-16.80	-16.97	-17.14	-17.31	-17.48
Working capital	-4.18	-4.21	-4.24	-4.27	-4.29	-4.32	-4.35	-4.38	-4.41
= Free Cash Flow (FCF)	6.67	15.01	14.95	14.90	14.84	14.78	14.71	14.73	14.13
PV of FCFs	6.17	12.20	10.68	9.35	8.18	7.15	6.26	5.50	4.64
PV of FCFs in explicit period	70.12								
PV of FCFs in terminal period	15.71								
Enterprise Value (EV)	85.84								
WACC	13.8%								
Cost of equity	13.8%								
Pre-tax cost of debt	7.0%								
Normal tax rate	19.0%								
After-tax cost of debt	5.7%								
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 4.6bn	CNY 1.4bn
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 1.3bn	TWD 827.2m
Lightspeed Commerce Inc.	With a cloud-based platform and POS systems, Lightspeed Commerce 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 4.8bn	CAD 610.6m
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. 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 32.4m	EUR 38.1m

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
	2021	2022E	2023E	2021	2022E	2023E	Latest	Last FY	Latest
Urovo Technology Co. Ltd. (CNY)	2.92x	2.32x	1.68x	22.95x	n.a	n.a	2.69x	12.71%	-26.40%
Uniform Industrial Corp. (TWD)	1.26x	n.a	n.a	52.37x	n.a	n.a	1.51x	2.40%	-34.31%
Lightspeed Commerce Inc. (CAD)	5.53x	4.03x	3.05x	n.a	n.a	n.a	1.40x	0.00%	-26.27%
Vectron Systems AG (EUR)	0.53x	0.60x	0.55x	4.32x	8.42x	5.36x	1.27x	12.34%	-47.10%
Median	2.09x	2.32x	1.68x	22.95x	8.42x	5.36x	1.46x	7.37%	-30.35%
Comp S.A. (PLN)*	0.37x	0.56x	0.54x	2.77x	5.48x	4.21x	0.38x	13.41%	18.99%
Premium/discount	-82.2%	-75.9%	-68.0%	-87.9%	-34.9%	-21.5%	-73.8%		

* excl. 1.14m own shares

Source: CapitalIQ, East Value Research GmbH

Our analysis shows that Comp is currently trading at a 21%-88% 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 = 13.8% 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 243.4m.

in PLNm	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Net sales	16.50	33.00	75.00	105.00	135.00	165.00	195.00	225.00	255.00
(y-o-y change)	37.5%	100.0%	127.3%	40.0%	28.6%	22.2%	18.2%	15.4%	13.3%
Operating profit	-0.66	2.64	13.88	21.00	30.38	41.25	48.56	55.91	62.60
(operating margin)	-4.0%	8.0%	18.5%	20.0%	22.5%	25.0%	24.9%	24.9%	24.6%
NOPAT	-0.53	2.14	11.24	17.01	24.60	33.41	39.33	45.29	50.71
+ Depreciation & amortisation	11.85	13.63	15.67	18.02	20.73	22.49	24.40	26.47	28.72
= Net operating cash flow	11.32	15.77	26.91	35.03	45.33	55.90	63.73	71.76	79.43
- Total investments (Capex and WC)	-11.85	-13.63	-15.67	-18.02	-20.73	-22.49	-24.40	-26.47	-28.72
Capital expenditures	-11.85	-13.63	-15.67	-18.02	-20.73	-22.49	-24.40	-26.47	-28.72
Working capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
= Free Cash Flow (FCF)	-0.53	2.14	11.24	17.01	24.60	33.41	39.33	45.29	50.71
PV of FCFs	-0.49	1.74	8.03	10.67	13.56	16.18	16.73	16.92	16.64
PV of FCFs in explicit period	99.96								
PV of FCFs in terminal period	143.40								
Enterprise Value (EV)	243.36								
WACC	13.8%								
Cost of equity	13.8%								
Pre-tax cost of debt	7.0%								
Normal tax rate	19.0%								
After-tax cost of debt	5.7%								
Share of equity	80.0%								
Share of debt	20.0%								

Source: East Value Research GmbH

Price target calculation

Sum-of-the-Parts	
IT segment	177.22
Retail segment	85.84
M/Platform (CMP's economic interest = 74%)*	180.09
Sum of Enterprise Values (PLNm)	443.14
- Net debt (31/03/2022)	-148.27
Implied Equity Value (PLNm)	294.87
Number of shares less 1.14m own shares	4.78
Implied Equity Value per share (PLN)	61.66
Implied Equity Value per share (in 12 months)	70.20

* own calculation based on 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	2021	2022E	2023E	2024E
Revenues	730.55	720.61	820.92	544.72	565.77	612.35
Cost of goods sold	-463.35	-479.13	-533.49	-348.62	-345.12	-366.19
Gross profit	267.20	241.49	287.43	196.10	220.65	246.16
Other operating income	7.71	17.60	12.32	8.60	8.77	8.95
Distribution costs	-96.35	-91.33	-100.71	-78.98	-82.04	-88.79
Administration costs	-72.49	-71.11	-75.49	-63.73	-66.19	-71.65
Other operating expenses	-13.35	-18.47	-13.45	-6.39	-8.83	-9.53
EBITDA	92.72	78.18	110.09	55.59	72.36	85.14
Depreciation & amortisation	-38.57	-42.70	-46.71	-46.76	-46.80	-46.85
EBIT	54.15	35.48	63.38	8.84	25.56	38.29
Net financial result	-15.14	-7.28	-14.17	-11.20	-10.40	-9.60
EBT	39.01	28.21	49.21	-2.36	15.16	28.69
Income taxes	-8.85	-10.28	-14.43	0.45	-2.88	-5.45
Minorities	0.45	1.95	1.00	0.50	-0.20	-0.24
Result from discontinued operations (PayTel S.A.)	-12.03	-4.66	0.20	0.00	0.00	0.00
Adj. Net income / loss (excl. discount. operat.)	30.61	19.88	35.78	-1.41	12.08	23.00
Net income / loss	18.59	15.22	35.98	-1.41	12.08	23.00
EPS	3.89	3.18	7.52	-0.30	2.53	4.81
Adj. EPS	5.33	3.36	6.05	-0.30	2.53	4.81
DPS	0.00	3.00	3.00	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 %	-66.49 %	-64.99 %	-64.00 %	-61.00 %	-59.80 %
Gross profit	36.57 %	33.51 %	35.01 %	36.00 %	39.00 %	40.20 %
Other operating income	1.06 %	2.44 %	1.50 %	1.58 %	1.55 %	1.46 %
Distribution costs	-13.19 %	-12.67 %	-12.27 %	-14.50 %	-14.50 %	-14.50 %
Administration costs	-9.92 %	-9.87 %	-9.20 %	-11.70 %	-11.70 %	-11.70 %
Other operating expenses	-1.83 %	-2.56 %	-1.64 %	-1.17 %	-1.56 %	-1.56 %
EBITDA	12.69 %	10.85 %	13.41 %	10.21 %	12.79 %	13.90 %
Depreciation & amortisation	-5.28 %	-5.93 %	-5.69 %	-8.58 %	-8.27 %	-7.65 %
EBIT	7.41 %	4.92 %	7.72 %	1.62 %	4.52 %	6.25 %
Net financial result	-2.07 %	-1.01 %	-1.73 %	-2.06 %	-1.84 %	-1.57 %
EBT	5.34 %	3.91 %	5.99 %	-0.43 %	2.68 %	4.69 %
Income taxes	-1.21 %	-1.43 %	-1.76 %	0.08 %	-0.51 %	-0.89 %
Minorities	0.06 %	0.27 %	0.12 %	0.09 %	-0.04 %	-0.04 %
Result from discontinued operations (PayTel S.A.)	-1.65 %	-0.65 %	0.02 %	0.00 %	0.00 %	0.00 %
Adj. Net income / loss (excl. discount. operat.)	4.19 %	2.76 %	4.36 %	-0.26 %	2.14 %	3.76 %
Net income / loss	2.54 %	2.11 %	4.38 %	-0.26 %	2.14 %	3.76 %

Balance Sheet

in PLNm	2019	2020	2021	2022E	2023E	2024E
Assets						
Cash and equivalents	53.09	46.64	37.22	31.31	20.91	10.71
Short-term financial assets	2.30	2.46	5.57	5.68	5.79	5.91
Inventories	82.75	97.25	91.11	59.54	58.94	62.54
Trade accounts and notes receivables	261.52	173.29	134.78	89.43	92.89	100.54
Other current assets	34.16	38.92	45.17	42.91	40.76	38.73
Short-term part of construction contracts	24.51	42.88	46.97	47.47	47.97	48.47
Assets-held-for-sale	1.41	1.19	2.42	0.00	0.00	0.00
Current assets, total	459.74	402.63	363.22	276.34	267.26	266.88
Property, plant and equipment	90.14	70.78	72.61	72.61	72.61	72.61
Other intangible assets	183.11	200.89	208.41	208.51	208.61	208.71
Goodwill	272.80	272.80	272.80	272.80	272.80	272.80
Long-term financial assets	2.37	20.87	11.34	11.57	11.80	12.03
Other long-term assets	15.36	12.27	10.35	10.55	10.76	10.98
Long-term part of construction contracts	13.75	14.87	9.32	9.52	9.72	9.92
Deferred tax assets	5.74	0.92	5.49	0.00	0.00	0.00
Non-current assets, total	583.26	593.40	590.32	585.56	586.31	587.06
Total assets	1043.01	996.02	953.54	861.90	853.56	853.94
Liabilities						
Trade payables	125.62	132.17	135.28	88.40	87.52	92.86
Other short-term liabilities	53.37	69.18	56.20	37.29	38.73	41.92
Short-term financial debt	215.99	174.62	119.53	114.53	109.53	104.53
Provisions	32.09	24.07	22.54	20.54	18.54	16.54
Current liabilities, total	427.07	400.05	333.55	260.76	254.31	255.84
Long-term financial debt	65.35	32.14	24.48	22.03	19.83	17.85
Other long-term liabilities	15.78	13.41	16.27	10.79	11.21	12.13
Provisions	1.84	2.04	2.10	2.00	1.90	1.80
Deferred tax liabilities	6.78	9.27	10.83	0.00	0.00	0.00
Long-term liabilities, total	89.75	56.86	53.68	34.82	32.94	31.78
Total liabilities	516.82	456.90	387.22	295.58	287.25	287.62
Shareholders equity, total	496.55	511.80	534.55	535.05	534.85	534.61
Minority interests	29.64	27.32	31.77	31.27	31.47	31.71
Total equity and liabilities	1043.01	996.02	953.54	861.90	853.56	853.94

Cash Flow Statement

in PLNm	2019	2020	2021	2022E	2023E	2024E
Net income / loss	18.59	15.22	35.98	-1.41	12.08	23.00
Depreciation	38.57	42.70	46.71	46.76	46.80	46.85
Change of working capital	-86.92	49.09	25.35	13.39	-0.16	-0.68
Others	37.25	-1.65	11.35	7.44	2.10	2.10
Net operating cash flow	7.48	105.35	119.38	66.17	60.82	71.27
Cash flow from investing	-23.08	-31.75	-33.70	-44.44	-46.90	-46.95
Free cash flow	-15.59	73.61	85.68	21.73	13.92	24.32
Cash flow from financing	14.89	-80.05	-95.11	-27.64	-24.32	-34.53
Change of cash	-0.71	-6.44	-9.43	-5.90	-10.40	-10.20
Cash at the beginning of the period	53.79	53.09	46.64	37.22	31.31	20.91
Cash at the end of the period	53.09	46.64	37.22	31.31	20.91	10.71

Financial ratios

Fiscal year	2019	2020	2021	2022E	2023E	2024E
Profitability and balance sheet quality						
Gross margin	36.57%	33.51%	35.01%	36.00%	39.00%	40.20%
EBITDA margin	12.69%	10.85%	13.41%	10.21%	12.79%	13.90%
EBIT margin	7.41%	4.92%	7.72%	1.62%	4.52%	6.25%
Net margin	2.54%	2.11%	4.38%	2.70%	2.14%	3.76%
Return on equity (ROE)	3.82%	3.02%	6.88%	-0.26%	2.26%	4.30%
Return on assets (ROA)	3.23%	2.26%	5.26%	1.14%	2.63%	3.82%
Return on capital employed (ROCE)	6.80%	3.78%	7.23%	1.19%	3.45%	5.19%
Economic Value Added (in PLNm)	-43.36	-59.92	-40.99	-76.02	-62.22	-51.74
Net debt (in PLNm)	225.96	157.66	101.22	99.57	102.65	105.76
Net gearing	45.51%	30.81%	18.94%	18.61%	19.19%	19.78%
Equity ratio	47.61%	51.38%	56.06%	62.08%	62.66%	62.61%
Current ratio	1.08	1.01	1.09	1.06	1.05	1.04
Quick ratio	0.74	0.56	0.53	0.48	0.47	0.46
Net interest cover	3.58	4.88	4.47	0.79	2.46	3.99
Net debt/EBITDA	2.44	2.02	0.92	1.79	1.42	1.24
Tangible BVPS	46.79	49.98	54.74	54.84	54.80	54.75
CAPEX/Sales	8.81%	5.67%	6.98%	8.16%	8.29%	7.67%
Working capital/Sales	27.30%	15.00%	9.69%	12.15%	11.73%	10.94%
Cash Conversion Cycle (in days)	97	61	30	30	30	30
Trading multiples						
EV/Sales	0.55	0.55	0.49	0.73	0.71	0.65
EV/EBITDA	4.31	5.11	3.63	7.19	5.52	4.70
EV/EBIT	7.38	11.27	6.31	45.24	15.64	10.44
P/Tangible BVPS	0.91	0.85	0.78	0.77	0.78	0.78
Adj. P/E	7.97	12.65	7.03	-143.73	16.82	8.84
P/FCF	-16.13	3.42	2.94	11.57	18.07	10.34

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