

Harju Elekter AS

Disappointing Q4 19 results did not spoil annual view

HAE1T.TL

Industrials | Estonia

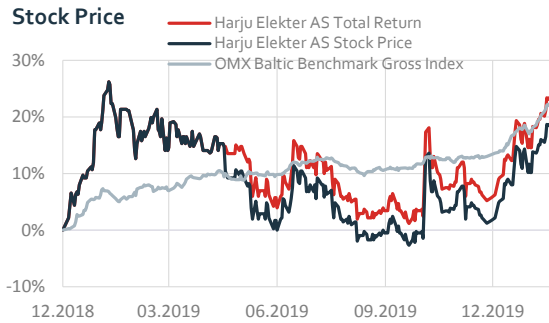
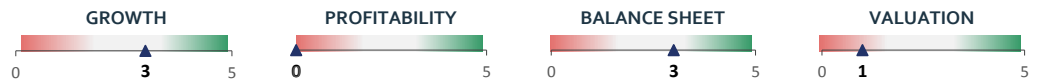
Manufacturer of electric and engineering devices such as electric power distribution systems and control equipment, etc. Company has exposure to Northern European countries as main export markets. HAE also operates industrial real estate.

Market data

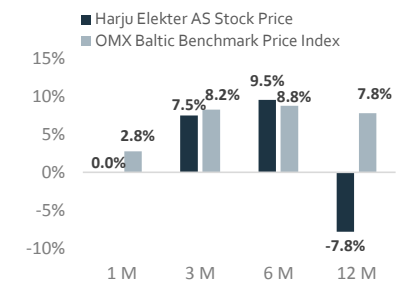
Price (€)	4.6
Market cap (mn €)	81.6
Free float (%)	61.6
Avg. daily volume - 30 days (€)	3108

Alphinox Quantitative score

Score displays Company's financial conditions, growth pace and valuation based on latest results and stock price



Stock Return



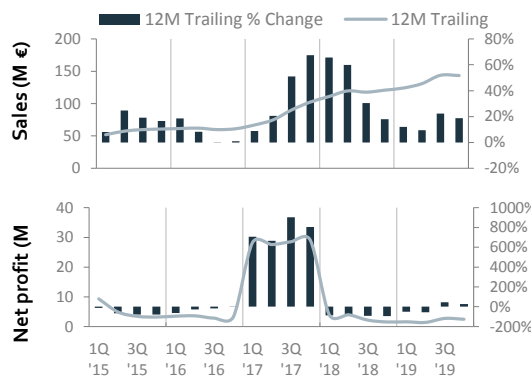
Company Update

On February 21st, Harju Elekter has reported Q4 results, saying that its sales declined by 1%, gross profit declined by 17.9% and net profit was down by 90%. The company blamed several issues to explain deterioration in its profitability and among them were sales mix, unfavourable SEK rate (13.5% of sales made in Sweden), allowance for receivables. However, the annual results turned out to be decent, even accounting for unfavourable corporate development in Q4: sales grew by 18.7%, gross profit was up by 14.2% and net income increased by 59%. In 2019 revenues grew thanks to the strong sales of the electrical equipment to the shipping and industrial sectors. Additionally, the company managed to substantially increase its revenue base in Sweden, Norway and Netherlands. The company proposes to payout a dividend of EUR 0.18, same as last year, despite substantial profit growth, which is likely to hint at further investments. The proposed payout would translate in 3.9% dividend yield with stock price on 21.02.2020 closing.

Growth

Sales	last Q	LTM	2018	2017
Company (M €)	31.2	143.4	120.8	102.4
Company	-1%	18.7%	18.0%	68%
Sector*	3.1%	2.9%	0.4%	0.5%
Baltic Market	6.2%	4.5%	4.3%	4.6%

Profit	last Q	LTM	2018	2017
Company (M €)	0.1	2.5	1.5	29.1
Company	-90%	59.1%	-95%	805%
Sector*	-24.7%	-20%	-6%	-39%
Baltic Market	23%	-1.0%	-60%	-1%

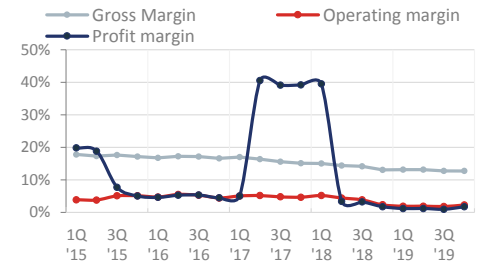
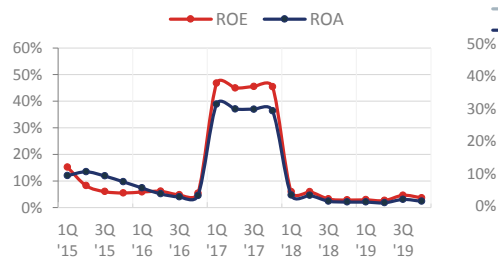


Key performance indicators

	4Q '19	4Q '18	LTM
Average number of employees	778	727	779
	+7%		
Distribution cost to revenue, %	4.8	5.2	4.0
	-8%		
Labour cost to revenue, %	23.0	21.2	19.1
	+8%		

Profitability

Last 12M	ROE	ROA	GM	OPM	PM
Company	3.7%	2.4%	12.7%	2.3%	1.7%
Sector*	7.4%	4.3%	31.9%	2.1%	1.5%
Baltic Market	4.5%	1.8%	18.7%	2.7%	2.5%
3y average	ROE	ROA	GM	OPM	PM
Company	17.9%	14.4%	14.4%	3.6%	14.7%
Sector*	5.0%	2.4%	30.5%	2.3%	1.0%
Baltic Market	8.6%	4.1%	19.6%	5.2%	4.3%

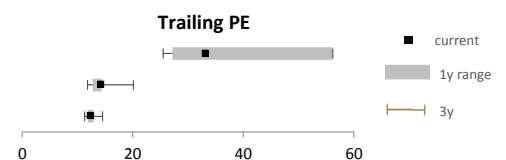


Balance sheet & Cash flow

	last	Q-1	Q-2	Q-3	LTM	2018	2017		last	Q-1	Q-2	Q-3	LTM	2018	2017
Equity / Assets ratio	62%	59%	57%	62%	60%	68%	78%	Cash Flow to Debt	32%	21%	8%	15%	32%	-28%	129%
Debt / Equity ratio	29%	30%	32%	25%	29%	18%	5%	CAPEX / Sales	4%	3%	3%	7%	4%	9%	9%
Cash ratio	0.15	0.10	0.05	0.12	0.11	0.12	1.22	FCF/OCF	10%	-150%	-324%	-81%	10%	265%	238%

Valuation

	Last	1y avg	3y avg		last	1y avg	3y avg	
P/E	33.2	42.3	25.2	P/B	1.2	1.2	1.3	Company
EV/EBITDA	42.8	20.1	16.2	P/CF	13.2	15.5	-73.1	Sector
P/S	0.57	0.59	0.82	Dvd yield	3.9%	4.1%	4.2%	Market



*Sector: average of respective GICS sector companies from NASDAQ OMX Baltic and NASDAQ OMX Nordic small cap indices, Market: NASDAQ OMX Baltic median

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