

Colt CZ Group SE

Strong demand in Europe and Canada, EBITDA target achieved, dividend CZK31

Buy

Price 19.03.24	CZK 623
12m target	CZK 921
Upside to TP	47.8%
Dividend	CZK 31
Total return	52.8%

Sector stance
Overweight

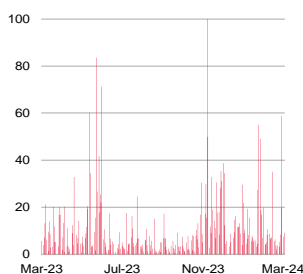
Investment type
Growth story

1 year performance



Source: Bloomberg

Trading volume (in ths of shares)



Source: Bloomberg

Share data

RIC	CZG.PR	Bloom	CZG	CP
52-week range			518 - 625	
Market cap. (CZKb)			21.9	
Market cap. (EURb)			0.9	
Free float (%)			19	
Performance (%)	1m	3m	12m	
Share	2.1	16.7	6.1	
Rel. to PX Index	1.1	7.8	-6.5	

Source: Bloomberg

The latest analysis and report:

https://bit.ly/Colt_analysis_Feb24_EN

https://bit.ly/Colt_2Q23_EN

https://bit.ly/Colt_perrollamSB_EN

https://bit.ly/Colt_3Q23_EN

https://bit.ly/Colt_VSTOreduced_EN

Colt results for 4Q23 / 2023

CZKm	4Q22	e4Q23 (KB)	y/y	2022	e2023 (KB)	y/y
Revenues	4,370	5,059	15.8%	14,590	14,969	2.6%
EBITDA	963	1,016	5.5%	3,109	2,722	-12.4%
margin	22.0%	21.1%	2.0pps	21.3%	18.2%	-3.1pps
adj. EBITDA	1,024	1,092	6.6%	3,365	3,027	-10.0%
margin	23.4%	21.6%	-1.9pps	23.1%	20.2%	-2.8pps
EBIT	711	763	7.2%	2,199	1,887	-14.2%
Net Profit	706	563	-20.2%	2,034	2,101	3.3%
adj. Net Profit	820	665	-18.9%	2 280	2,147	-5.8%

Source: Colt CZ Group, Economic & Strategy Research, Komerční banka

Announcement date: Tuesday, March 26, 2023, before the market

Expected results: As in previous quarters, we expect demand in the U.S. commercial market to remain weak. However, this should be offset by demand from Canada and Europe. In addition, orders that were missing in the earlier part of the year are expected to be realized. We estimate that 4Q23 will be the strongest in history. We expect EBITDA to grow to CZK1.1bn (+6.6% yoy) on revenues of CZK5.1bn (+15.8% yoy). Colt will thus meet its EBITDA targets for the full year. We estimate last year's dividend at CZK31. Colt is also expected to publish goals for 2024, which will include information on Sellier & Bellot's performance.

We do not expect any significant improvement in the **weaker demand** seen in previous quarters **in the company's core U.S. market**. According to the NICS control system, which we would consider a proxy for civilian customer demand, this sector declined 8.4% yoy in 4Q23. However, we expect demand **in Canada and Europe, including the Czech Republic, to be very strong**. This should be particularly true for the M&LE sector. We estimate the number of firearms sold to be around 185k. We estimate total **sales to reach CZK5.1bn** in 4Q23. This corresponds to +15.8% yoy growth and the best quarterly result in the company's history. We expect **EBITDA to reach CZK1.1bn** (+6.6% yoy). This should also be a record level. We expect **net profit of CZK665m** (-18.9% yoy).

Full-year targets: Revenues should reach **CZK15.2-15.5bn** and **EBITDA CZK3.0-3.3bn**, according to the updated forecast of November 23. According to our estimates, Colt will achieve revenues of CZK15.0bn and EBITDA of CZK3.0bn in 2023. This would leave revenues slightly below target, but **EBITDA will reach target at the lower end of the range**.

Dividend: From last year's profit (2023), we expect Colt's management to **propose a dividend of CZK31** for approval at the AGM. This would represent a gross **yield of 4.9%**.

Forecast 2024: We expect Colt to provide guidance for this year as well. **According to our expectations, which include the already acquired Sellier & Bellot**, Colt should achieve revenues of **CZK19.7bn** and **EBITDA of CZK3.9bn**.



Bohumil Trampota
Equity Analyst
bohumi.trampota@kb.cz
(420) 222 008 560

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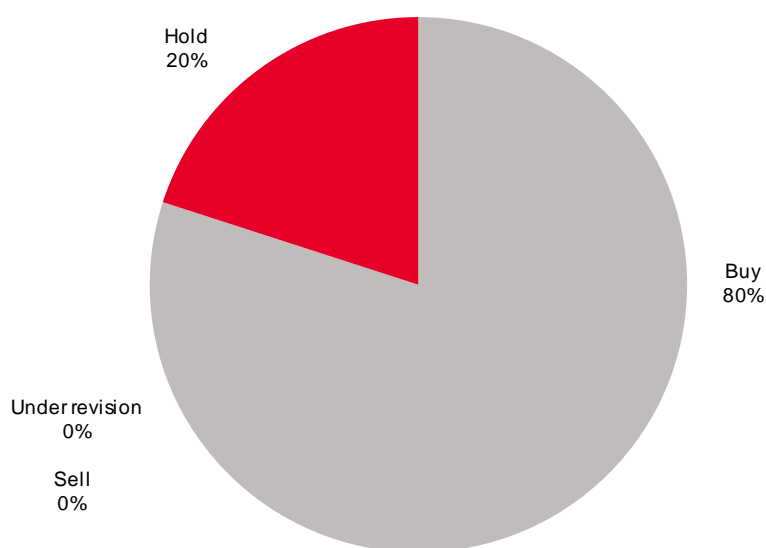
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The chart below shows the structure of grades of valid investment recommendations of equity research of KB Economic & Strategy Research (8 recommendations).

Investment recommendations of KB equity research



Source: Economic & Strategy Research, Komerční banka

KB Equity Research ratings on a 12 month period

BUY: absolute total shareholder return forecast of 15% or more over a 12 month period.

HOLD: absolute total shareholder return forecast between 0% and +15% over a 12 month period.

SELL: absolute total shareholder return forecast below 0% over a 12 month period.

Total shareholder return means forecast share price appreciation plus all forecast cash dividend income, including income from special dividends, paid during the 12 month period. Ratings are determined by the ranges described above at the time of the initiation of coverage or a change in rating (subject to limited management discretion). At other times, ratings may fall outside of these ranges because of market price movements and/or other short term volatility or trading patterns. Such interim deviations from specified ranges will be permitted but will become subject to review by research management.

Overview of recommendations published by KB and relationships with particular issuers

	CEZ	Colt CZ Group SE	Kofola	MONETA Money Bank	Philip Morris CR	Avast	O2 CR
Overview of last investment research and recommendations related to stocks of particular issuers							
Recommendation	Buy	Buy	Buy	Buy	Hold	End	End
Target price	CZK1,034	CZK921	CZK313	CZK102.8	CZK18,349	of coverage	of coverage
Date	07.09.2023	09.02.2024	29.05.2023	19.10.2023	03.03.2023	07.09.2022	25.02.2022
Price on the day of the publication	CZK923	CZK574	CZK244	CZK84	CZK17,200	CZK205.1	CZK270
Investment horizon	12 months	12 months	12 months	12 months	12 months		
Author	B. Trampota	B. Trampota	B. Trampota	B. Trampota	B. Trampota		
Overview of investment researches and recommendations for last 12M (quarterly)							
Recommendation	Buy	Buy	Buy	Buy	Buy	Buy	Buy
Target Price	CZK1,393	CZK652	CZK381	CZK104.6	CZK18,183	GBp600	CZK362
Date	07.06.2022	16.12.2022	12.05.2022	05.09.2022	11.02.2022	11.02.2021	26.03.2021
Recommendation	In revision	Buy	In revision	Buy	Buy	Buy	Buy
Target Price	In revision	CZK645	In revision	CZK109.7	CZK16,512	GBp466	CZK293
Date	10.05.2022	17.01.2022	15.02.2022	31.08.2021	20.11.2020	30.08.2019	08.01.2020
Recommendation	Buy	In revision	Buy	In revision	Buy	In revision	Buy
Target Price	CZK905	In revision	CZK367	In revision	CZK18,308	In revision	CZK298
Date	10.12.2021	31.03.2021	12.01.2021	07.05.2021	03.12.2018	14.08.2019	12.12.2018
Recommendation	Buy	Buy	In revision	Buy	Buy	Buy	Hold
Target Price	CZK621	CZK357	In revision	CZK97	CZK17,546	GBp342	CZK270
Date	23.07.2020	27.11.2020	26.11.2020	29.10.2019	22.08.2017	15.06.2018	18.08.2017
Valuation methods	DFCF	DFCF	DFCF	DFCF DDM ERM	DDM	DFCF	DFCF DDM
Frequency of rec. (per year)	once	once	once	once	once	once	once
Direct or indirect share (5% or more) of the issuer of the registered capital of KB	no	no	no	no	no	no	no
Other significant financial interest of KB and/or its linked persons in the issuer	no	no	no	no	no	no	no
KB direct or indirect share (0.5% or more) of the registered capital of the issuer.	no	no	no	no	no	no	no
Author's direct or indirect share (0.5% or more) of the registered capital of the issuer.	no	no	no	no	no	no	no
Signific. fin. interest in the issuer of the persons partic. in elaboration of inv. research and rec.	no	no	no	no	no	no	no
Relationships of Komerční banka with particular issuers							
KB Management or co- management of public offerings in the past 12 month	no	yes	no	no	no	no	no
Agreements or contractual relations for providing investment services with the issuer	KB can have concluded agreements with the issuer for providing investment services. This information is protected by bank secret and could not be disclosed.						
Agreement with the issuer on production and dissemination of the research	no	no	no	no	no	no	no
KB market making for common stocks of the issuer	no	no	no	no	no	no	no

Note: DFCF – Discounted free cash flow model, DDM – Discounted dividend model, ERM – Excess return model

Source: Economic & Strategy Research, Komerční banka