

Quarterly results

lochpe-Maxion

2Q18: international markets still strong; positive

lochpe-Maxion reported yesterday (09) robust figures from its second-quarter results. The top line was driven by a positive performance abroad and a favorable impact from FX changes. Foreign revenue remains solid, representing 75.9% of the company's total sales during the period, with a notable growth of 26.0 y/y. It was a result of (i) euro appreciation, (ii) lochpe' strategic position in Europe (revenues 27.8% higher y/y) and Asia (revenues 43.1% higher y/y), considering that the Indian market for both light and commercial vehicles has risen at a very fast pace, leading to a higher demand for steel and aluminum wheels, and (iii) NAFTA's growth on commercial vehicles, despite the release of lower sales volumes of light vehicles. Even against the truckers' strike, the company could reach solid levels of sales in the domestic market boosted by higher Brazilian vehicles production levels. Thus, revenues from South America came in at R\$ 579.3 mn (+26.7% y/y), growing in all segments, with a strong performance in both aluminum wheels for light vehicles (+36.5% y/y) and structural components for commercial vehicles (+34.5% y/y). Therefore, consolidated net revenue recorded R\$ 2,399.5 mn, a solid growth of 26.2% y/y.

COGS grew (+28.6% y/y) at a higher pace than revenues but, in face of improvements in the company's market dynamics, the consolidated adjusted EBITDA (excluding non-recurring effects) reached R\$ 283.7 mn, a growth of 30.2% y/y, higher than Bloomberg consensus of R\$ 254.5 mn. EBITDA margin increased to 11.8% versus 11.5% in 2Q17. There was a rise in net financial expenses to R\$ 64.8 mn, however, lochpe closed the quarter with a net income of R\$ 44.1 mn, versus R\$ 24.5 mn in the same period last year. As for **leverage**, the company presented a slightly rose, influenced mainly by the Brazilian real depreciation, reaching in the period a net debt of BRL 2,530.1 mn, which represents a net debt to LTM EBITDA of 2.75x versus 2.70x in 1Q18. Thus, we expect a positive market reaction in the coming trading sessions.

Investment implications. We remain optimistic regarding the company's investment case, based on positive figures resulting from assertive strategies. We believe that MYPK3 remains with a resilient position in face of the market volatility considering its revenues diversification in both segments, which covers geographic regions such as America, Asia and Europe. In addition, for the next quarter, the company expects to start recovering sales volume on aluminum wheels in North America, due to the ramp up of customer projects that will boost the company's orders. Potential upside lies on the company's capital structure changes as far as its deleveraging process continues, leaving room for organic new investments and further M&A opportunities in the sector. Downside risks to our investment thesis are (i) FX variation, (ii) deterioration in the global economy, (iii) lower than expect growth in the domestic economy, (iv) increasing competition and (v) potential hikes in raw material prices, leading to margins pressure. All in, we are revisiting our estimates in order to incorporate 2Q18's figures and shall release a new YE18 TP for MYPK3 shortly.

Highlights

R\$ Million	2Q18	q/q	y/y	6M18	y/y
Net Revenue	2,399.5	11.9%	26.2%	4,543.2	26.2%
Gross Profit	337.8	14.6%	13.3%	632.6	16.9%
Gross Margin (%)	14.1%	0.3 p.p.	-1.6 p.p.	13.9%	-1.1 p.p.
Adjusted EBITDA	283.7	26.4%	30.2%	508.2	27.5%
EBITDA Margin (%)	11.8%	1.4 p.p.	0.4 p.p.	11.2%	0.1 p.p.
Net Income	44.1	-	79.6%	31.2	33.7%
Net Margin (%)	1.8%	2.4 p.p.	0.5 p.p.	0.7%	0.1 p.p.

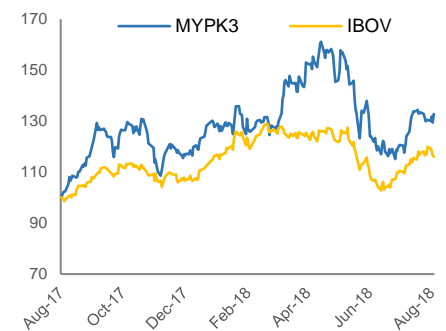
Source: lochpe-Maxion and BB Investimentos

MYPK3

Rating	-
Target-Price - 2018E	Under review
Last Price - 08/01/2018	23.30
Upside	-

Trading data

as of 08/09/2018		
Market Cap	R\$ million	3,480
1 Month Change	%	10.1%
LTM Change	%	30.2%
YTD Change	%	3.6%
52w Low	R\$	17.85
52w High	R\$	28.48



Company's description

lochpe-Maxion is a global company that operates in the automotive segment in the production of automotive wheels, structural components and railway equipment's, with a prominent position in all markets. It has about 14 thousand employees and has 31 manufacturing units distributed in 14 countries in South and North America, Europe, Asia and Africa. It operates through three business divisions: Maxion Wheels, Maxion Structural Components and Amsted-Maxion (joint ventures).

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