

# ML System

## 3Q23 results overview

ML System published its results for 3Q23 and held an analysts' conference call:

- Revenues amounted to PLN 39.7m compared to preliminary results of PLN 40.6m.
- EBITDA amounted to PLN 6.4m, which is 33.6% above the initial estimate of PLN 4.8m.
- The net loss amounted to PLN -0.1m compared to the initial estimates of the loss of PLN -0.25m.
- In the reporting period of 9M23, the company invested PLN 33.5 m in a new production hall with an area of 20,000 m<sup>2</sup>. sq m, thanks to which ML System will significantly increase its production capacity. Technical acceptance is currently underway, and the hall will be put into operation at the end of November or the beginning of December this year.
- The main investment projects of ML System were the active glass segment and the photovoltaic roof tile, for which approx. PLN 55 m and approx. PLN 6 m were allocated, respectively.
- Debt at the end of the third quarter increased by approx. PLN 10m compared to 2022. This is due to the fact that the construction of a new production hall is financed with a loan from the Industrial Development Agency. The net debt to EBITDA ratio increased to 4.0x.
- The company announced the signing of a large contract of PLN 31.9m for the implementation of a photovoltaic farm, which fills our backlog for 2024.

*Opinion: For the construction segment which the company is dependant on, end of the year usually is rich in finalization of contracts. Hence we expect a better sales compared to prior quarters.*

Figure 1. ML System: 3Q23A actual results overview (PLN m)

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23A	Y/Y	Q/Q	3Q23 prelim.	diff
Revenues	54.93	50.33	63.69	112.71	46.09	48.42	39.72	-37.6%	-18.0%	40.59	-2.1%
Gross profit	4.34	7.27	13.36	12.06	4.25	4.08	10.03	-24.9%	146.1%	10.08	-0.4%
EBITDA	5.32	7.79	8.22	15.17	7.44	-0.21	6.38	-22.4%	na	4.77	33.6%
EBIT	-1.70	0.40	0.72	7.68	0.14	-6.44	1.84	na	na	na	na
Net profit	-2.75	-1.01	-0.93	4.90	-2.26	-8.39	-0.10	-88.9%	-98.8%	-0.25	-58.1%

Source: Company, IPOPEMA Research

Technology

## ML System

**BUY**

**FV PLN 87.20**

Price from 22.11.2023 2023 PLN 56.00

55.7% upside

### Analysts

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The definitions of terms used in the document include:

NII – Net interest income – interest income minus interest expense.

Net F&C – Net fee and commission income – fee and commission income minus fee and commission expense.

LLP – loan loss provisions – an expense set aside as an allowance for bad loans.

NPL – non-performing loan – loans that are in default or close to be in default.

Cost/Income – operating expenses divided by total banking revenue.

ROE – return on equity – net income (or adjusted net income) divided by the average shareholders' equity.

ROA – return on assets – net income (or adjusted net income) divided by the average assets.

EBIT – earnings before interests and tax.

EBITDA – earnings before interests, tax, depreciation and amortization.

EPS – earnings per share – the net income (or adjusted net income) divided by the number of shares outstanding.

P/E – price to earnings ratio – price divided by earnings per share.

PEG – P/E ratio divided by the annual EPS growth, usually over a certain period of time.

CAGR – compound annual growth rate.

BVPS – book value per share, the book value of the Company's equity divided by the number of shares outstanding.

P/BV – price to book value - price divided by the BVPS.

DPS – dividend per share – dividend of a given year divided by the number of shares outstanding.

DY – dividend yield – dividend of a given year divided by the current price.

DDM – dividend discount model – a fundamental method of valuation based on the assumption that the value of stock equals the sum of all discounted future dividends.

FV – Fair Value, calculated based on valuation methods outlined in the document.

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Rating	Różnica pomiędzy FV i ceną z rekomendacji
Kup	Above 10%
Trzymaj	In between (and including) -10% and 10%
Sprzedaj	Below -10%

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	Number	%
Kup	7	88%
Trzymaj	1	12%
Sprzedaj	0	0%
Suma	66	100%

#### Historia ratingu – ML System

Data	Rekomendacja	FV	Cena z rekomendacji	Autor
09/09/2021	Kupuj	PLN 127.00	PLN 108.40	Robert Maj
06,05,2022	Kupuj	PLN 90.94	PLN 73.50	Robert Maj
26/08/2022	KUPUJ	PLN 104.48	PLN 75.75	Robert Maj
21/11/2022	KUPUJ	PLN 83.18	PLN 50.60	Robert Maj
05/04/2023	KUPUJ	PLN 92.22	PLN 62.50	Robert Maj
02/10/2023	KUPUJ	PLN 87.20	PLN 65.30	Robert Maj