

ML System

Ramping up sales of new products

We have raised our EBITDA forecast for ML System for 2023E after the company managed to speed-up sales of its new quantum era products to a greater extent than we had expected. MLS's 4Q22 results beat our expectations. The company presented revenues from Quantum and 2D Glass as a separate business line for the first time: the figure arrived at PLN 35.4m in 2022 (up from PLN 3.2m in 2021), while the EBIT margin reached a stunning 40%. This beat our expectation for the EBIT margin at 30%. Going forward, the margin may deteriorate slightly as MLS is likely to increase sales rapidly and win new customers, which may trigger some price enhancement. We expect CAPEX to double in 2023E versus 2022, although for now this is likely to cover the majority of the firm's investment plans. Another business line of Active Glass products is likely to be established in 2H23E. ML System trades at a 2024E EV/EBITDA of 6.8x, which constitutes a 24.9% discount to the international peer group. The firm is ramping-up production in new product lines, i.e. Quantum Glass and 2D Glass, while the Active Glass products are likely to be released to market in 2H23E. Hence we believe the company deserves a premium to peers as it looks set to rapidly increase profits in the years ahead. We have raised our FV by 10.9% to PLN 92.22 and reiterate our BUY recommendation.

Sales of new products: To date, ML System has informed the market that revenues from Quantum Glass and 2D Glass came in at PLN 35.5m in 2022, substantially more than PLN 3.2m posted in 2021. We believe sales from these two product lines could reach PLN 100m in FY 2023E. Along with Active Glass, we believe combined sales could reach PLN 177m in 2024E.

New EU buildings to be emissions free: In February, the Committee on Industry, Research and Energy (ITRE) of the European Parliament voted in favour of a draft revision of the Energy Efficiency of Buildings Directive (EPBD). The draft provides that all new buildings in the EU are to be zero-emission from 2028, while public buildings are to meet this condition from 2026. From 2028, where possible and economically justified, all new buildings should be equipped with solar technology devices, while for buildings undergoing renovation the deadline is 2032. We believe this creates a huge business opportunity for ML System going forward, as there are only a limited number of companies with the properly certified technology to implement the build in PV (BIPV).

4Q22 results overview: ML System's revenues increased by 67% y/y to PLN 112.7m in 4Q22. EBIT amounted to PLN 7.7m in the period (versus a profit of PLN 1.9m in 4Q21), while net profit came in at PLN 4.9m in 4Q22 (versus PLN 0.4m in 4Q21). Financial costs were stable on a q/q basis in 4Q22, hovering around a loss of PLN 2m. The net debt-to-EBITDA ratio decreased from 2.8x in 2021 to 2.51x in 2022. We expect the leverage to grow slightly to 2.9x before falling to 1.7x in 2025, on the back of higher marginal sales of active quantum products.

Figure 1. ML System financial data, (PLN m)

	2020	2021	2022	2023E	2024E	2025E
Revenue	127.3	188.8	281.7	332.0	421.6	470.9
EBIT	11.5	4.4	7.1	24.3	50.4	70.1
EBITDA	22.1	24.4	36.5	54.7	79.9	99.7
Net profit	10.2	1.7	0.2	10.3	38.6	57.0
EPS	1.7	0.3	0.0	1.6	6.0	8.8
DPS	0.0	0.0	0.0	0.0	0.0	0.0
P/E (x)	36.4	218.9	1,884.9	39.2	10.5	7.1
EV/EBITDA (x)	18.5	18.5	13.6	10.4	6.8	4.9

Source: Company, IPOPEMA Research

Construction

ML System

BUY

FV PLN 92.22

47.6% upside

Price as of 04 April 2023 PLN 62.50

Recommendation maintained



Share data

Number of shares (m)	6.5
Market cap (EUR m)	86.6
12M avg daily volume (k)	7.0
12M avg daily turnover (EUR m)	0.1
12M high/low (PLN)	83.7/45.6
WIG weight (%)	0.05
Reuters	MLS.P.WA
Bloomberg	MLS.PW

Total performance

1M	-15.5%
3M	-3.8%
12M	-53.0%

Shareholders

Dawid Cycoń	31.11%
Edyta Stanek	30.84%

Analysts

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ML SYSTEM

BUY

FV PLN 92.22

Mkt Cap EUR 86.6m

Upside/downside +47.6%

Valuation multiples	2020	2021	2022	2023E	2024E
P/E (x)	36.4	218.9	1,884.9	39.2	10.5
EV/EBITDA (x)	18.5	18.5	13.6	10.4	6.8
EV/Sales (x)	3.21	2.39	1.76	1.70	1.28
P/BV (x)	2.57	2.61	2.77	2.59	2.07
FCF yield (%)	12%	15%	20%	22%	24%
DY (%)	0%	0%	0%	0%	0%

Per share	2020	2021	2022	2023E	2024E
No. of shares (m units)	5.9	6.1	6.5	6.5	6.5
EPS (PLN)	1.72	0.29	0.03	1.59	5.96
BVPS (PLN)	24.33	23.90	22.58	24.17	30.13
FCFPS (PLN)	7.60	9.57	12.59	13.49	15.28
DPS (PLN)	0.00	0.00	0.00	0.00	0.00

Change y/y (%)	2020	2021	2022	2023E	2024E
Revenues	36.3%	48.3%	49.2%	17.9%	27.0%
EBITDA	57.7%	10.1%	49.8%	49.8%	46.0%
EBIT	125.6%	-61.8%	60.8%	242%	108%
Pre-tax	191.9%	-69.1%	-72.0%	1975.1%	132.3%
Net profit	193.7%	-82.8%	-87.7%	4705.6%	273.7%

Leverage and return	2020	2021	2022	2023E	2024E
Gross margin (%)	24.1%	14.1%	13.1%	22.4%	26.8%
EBITDA margin (%)	17.4%	12.9%	13.0%	16.5%	18.9%
EBIT margin (%)	9.1%	2.3%	2.5%	7.3%	12.0%
Net margin (%)	8.0%	0.9%	0.1%	3.1%	9.2%
Net debt / EBITDA (x)	1.72	2.80	2.51	2.94	1.69
Net debt / Equity (x)	0.26	0.47	0.63	1.03	0.69
Leverage Ratio (x)	0.37	0.37	0.43	0.46	0.43
ROE (%)	9.2%	1.2%	0.1%	6.8%	21.9%
ROA (%)	24.6%	3.2%	0.3%	14.7%	50.5%
ROIC (%)	5.6%	0.8%	0.1%	3.3%	11.7%

Assumptions	2020	2021	2022	2023E	2024E
Sales (PLN m)	127.3	188.8	281.7	332.0	421.6
General constr.	2.0	0.0	0.0	0.0	0.0
PV	123.3	183.5	245.6	232.0	243.6
R&D	0.3	0.0	0.0	0.0	0.0
Unallocated	1.8	2.2	0.6	0.0	0.0
Quantum + 2D Glass	0.0	3.2	35.5	100.0	39.7
Active Glass	0.0	0.0	0.0	0.0	138.3
Poland GDP (%)	-2.0%	6.8%	4.8%	0.3%	2.5%
Poland CPI (%)	3.4%	5.1%	14.3%	13.4%	5.0%
Constr. activity(%)	-2.2%	2.8%	1.9%	1.9%	2.9%
USD PLN (avg)	3.89	3.86	4.46	4.41	4.00
EURPLN (avg)	4.44	4.56	4.68	4.67	4.39

P&L (PLN m)	2020	2021	2022	2023E	2024E	2025E
Revenues	127.3	188.8	281.7	332.0	421.6	470.9
COGS	-96.6	-162.2	-244.6	-257.8	-308.5	-330.8
EBIT	11.5	4.4	7.1	24.3	50.4	70.1
General constr.	0.7	0.0	0.0	0.0	0.0	0.0
PV	13.1	3.7	1.7	25.0	14.6	15.1
R&D	-3.7	-4.3	-9.9	-13.3	0.0	0.0
Unallocated	1.5	3.8	-5.1	-22.4	-12.7	-13.4
Quantum Glass	0.0	0.0	14.3	35.0	13.9	17.2
2D Glass	0.0	0.0	0.0	0.0	0.0	0.0
Active Glass	0.0	0.0	0.0	0.0	34.6	51.3
EBITDA	22.1	24.4	36.5	54.7	79.9	99.7
Financial income (cost) net	-1.3	-1.2	-6.2	-5.8	-7.5	-6.7
Pre-tax	10.3	3.2	0.9	18.5	42.9	63.3
Tax	-0.1	-1.4	-0.7	-8.1	-4.3	-6.3
Net profit	10.2	1.7	0.2	10.3	38.6	57.0

BALANCE SHEET (PLN m)	2020	2021	2022	2023E	2024E	2025E
Non-current assets	184.8	247.9	256.4	304.8	306.6	307.2
Intangible assets	11.0	11.8	17.0	17.1	17.1	17.2
PP&E	168.5	213.5	217.5	265.6	266.9	267.2
Receivables	0.5	0.8	0.8	0.9	1.1	1.3
Current assets	118.8	142.3	174.8	223.2	278.0	377.2
Inventories	38.3	57.7	66.5	70.6	84.5	90.6
Trade receivables	40.3	41.7	69.0	81.9	103.9	116.1
Cash and equivalents	20.5	24.7	27.1	33.2	42.2	117.7
Other current assets	19.6	18.2	12.3	37.5	47.3	52.7
Total assets	303.5	390.2	431.2	528.1	584.6	684.4
Equity	144.4	146.2	146.4	156.7	195.4	252.4
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	95.3	146.9	133.8	139.6	160.5	169.8
Loans and leasing	27.7	56.7	46.7	47.3	49.6	50.6
Other non-current liabilities	67.6	90.2	87.1	92.3	110.9	119.2
Current liabilities	63.9	97.1	151.0	231.7	228.7	262.2
Trade payables	25.2	47.3	65.3	70.6	84.5	90.6
Loans and leasing	30.9	36.4	72.0	146.7	127.1	153.3
Other current liabilities	7.8	13.4	13.6	14.4	17.1	18.3
Equity & liabilities	303.5	390.2	431.2	528.1	584.6	684.4
Inventories turnover (days)	144.6	129.8	99.2	100.0	100.0	100.0
Receivable turnover (days)	115.6	80.6	89.4	90.0	90.0	90.0
Net debt (PLN m)	38.0	68.4	91.7	160.8	134.6	86.2

CASH FLOW (PLN m)	2020	2021	2022	2023E	2024E	2025E
Operating cash flow	-21.9	10.2	10.3	23.4	57.0	78.3
Net income	10.2	1.7	0.2	10.3	38.6	57.0
D&A	10.6	20.0	29.4	30.4	29.5	29.6
Change in WC	-44.4	-15.0	-24.9	-23.0	-31.9	-17.6
Other	1.7	3.5	5.6	5.7	20.9	9.2
Investment cash flow	-49.0	-55.4	-45.9	-90.4	-28.5	-27.4
CAPEX	-49.0	-55.4	-45.9	-90.4	-28.5	-27.4
Dividends received	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
Financial cash flow	76.3	49.4	37.8	73.1	-19.6	24.7
Change in equity	56.0	0.1	0.0	0.0	0.0	0.0
Change in debt	9.4	23.0	27.8	71.3	-21.4	25.2
Dividend	0.0	0.0	0.0	0.0	0.0	0.0
Other	10.9	26.3	10.0	1.8	1.8	-0.5
Change in cash	5.4	4.2	2.3	6.1	9.0	75.6
Cash as of eop	20.5	24.7	27.1	33.2	42.2	117.7

Source: Company data, IPOPEMA Research

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Valuation

Our valuation approach for construction companies uses two methods: the discounted cash flow (DCF) and the dividend discount model (DDM). We calculate our Fair Value for ML System by taking the average of the two results. The two methods are aligned, as they are both based on the same financial model. The model assumes cashflow projections over a 10-year period for the firm based on our forecasts for the photovoltaic and construction markets, and GDP in Poland as well as other parameters including volume growth, product mix changes, changes in the financing model, efficiency gains, production cost increases, capital expenditures and working capital needs. Our dividend projections are a derivative of the earnings forecasts in our financial model. Payout levels are determined by corporate policy in the short term (10%) and then drift towards a target payout ratio of 80% in the long-term. The DDM is also a useful tool for understanding P/E multiples [$P/E = (D/E)/(k-g)$], with differences explained by a combination of earnings growth and dividend payout. Both our DCF and DDM models have terminal values with a growth rate of 2%.

Our assumptions for cost of equity were established by using a variable risk-free rate (equal to the 12-month forward interest rate) and adding a 5.5% equity risk premium each year. The 12-month forward interest rates were derived from the yield curve of the 2023-2032 period. We also consistently use a beta of one (1) so as not to distort the WACC and the comparability of our valuations.

Changes in forecast

Figure 2. Change in forecasts

	2023			2024			2025		
	OLD	NEW	change	OLD	NEW	change	OLD	NEW	change
Revenues	304.6	332.0	9.0%	463.9	421.6	-9.1%	518.6	470.9	-9.2%
Costs	-247.5	-257.8	4.2%	-341.4	-308.5	-9.7%	-366.0	-330.8	-9.6%
EBITDA	49.4	54.7	10.7%	85.2	79.9	-6.3%	107.4	99.7	-7.1%
EBIT	16.6	24.3	46.4%	53.5	50.4	-5.8%	75.5	70.1	-7.2%
Net profit	9.7	10.3	6.7%	42.7	38.6	-9.6%	63.0	57.0	-9.6%

Source: Company, IPOPEMA Research

4Q22 results overview

Figure 3. ML System: 4Q22 results overview (PLN m)

	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	Y/Y	Q/Q
Revenues	26.28	46.13	49.03	67.37	54.93	50.33	63.69	112.71	67.3%	77.0%
Gross profit	4.21	7.53	5.72	9.13	4.34	7.27	13.36	12.06	32.1%	-9.8%
EBITDA	2.52	8.45	4.93	8.46	5.32	7.79	8.22	15.17	79.3%	84.7%
EBIT	-0.36	4.07	-1.19	1.89	-1.70	0.40	0.72	7.68	na	na
Net profit	-0.46	3.68	-1.83	0.36	-2.75	-1.01	-0.93	4.90	na	na

Source: Company, IPOPEMA Research

Figure 4. DCF Valuation (PLN m)

PLN m	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Terminal Year
Revenues	332.0	421.6	470.9	510.2	551.6	568.1	585.2	602.7	620.8	639.4	639.4
EBIT	24.3	50.4	70.1	81.1	107.6	115.9	130.5	139.7	149.3	153.0	153.0
Tax on EBIT	10.7	5.0	7.0	8.1	10.8	22.0	24.8	26.5	28.4	29.1	29.1
NOPLAT	13.6	45.4	63.1	73.0	96.8	93.9	105.7	113.2	121.0	123.9	123.9
Depreciation	30.4	29.5	29.6	29.5	31.4	33.4	35.5	37.8	40.2	42.8	42.8
Capital expenditures	-90.4	-28.5	-27.4	-27.1	-28.7	-30.4	-32.3	-34.2	-36.3	-38.4	-38.4
Change in working capital	-23.0	-31.9	-17.6	-14.0	-14.7	-5.9	-6.1	-6.3	-6.4	-6.6	-6.6
Leasing payments	-2.2	-2.4	-2.7	-2.9	-3.2	-3.5	-3.8	-4.2	-4.6	-4.8	-4.8
Free cash flow	-71.7	12.0	45.1	58.5	81.6	87.5	99.1	106.3	113.9	116.9	116.9
Risk-free rate	6.12%	6.07%	6.11%	6.16%	6.20%	6.23%	6.41%	6.41%	6.41%	6.41%	6.41%
Equity risk premium	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
Beta	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Cost of equity	11.62%	11.57%	11.61%	11.66%	11.70%	11.73%	11.91%	11.91%	11.91%	11.91%	11.91%
Cost of debt (pre-tax)	8.6%	8.6%	8.6%	8.7%	8.7%	8.7%	8.9%	8.9%	8.9%	8.9%	8.9%
Effective tax rate	45.0%	75.8%	44.1%	10.0%	10.0%	10.0%	10.0%	19.0%	19.0%	19.0%	19.0%
After-tax cost of debt	4.7%	2.1%	4.8%	7.8%	7.8%	7.9%	8.0%	7.2%	7.2%	7.2%	7.2%
Weight of debt	21.3%	17.8%	18.2%	18.7%	20.7%	19.5%	19.7%	21.6%	21.1%	19.5%	19.5%
Weight of equity	78.7%	82.2%	81.8%	81.3%	79.3%	80.5%	80.3%	78.4%	78.9%	80.5%	80.5%
WACC	10.2%	9.9%	10.4%	10.9%	10.9%	11.0%	11.1%	10.9%	10.9%	11.0%	11.0%
Discount fact	0.91	0.83	0.75	0.67	0.61	0.55	0.49	0.44	0.40	0.36	0.33
PV of FCF	-65.1	9.9	33.7	39.5	49.7	48.0	48.9	47.3	45.7	42.2	38.1
Sum of FCF PV's	299.8										
FCF terminal growth rate	2.0%										
Terminal value	1,325.5										
PV of terminal value	431.5										
Unwind of discount	18.8										
Enterprise value	750.1										
Net debt 2022	91.7										
Employees liabilities	-1.9										
Dividend paid out in 2023 (ytd terms)	0.0										
Equity value	656.5										
Per share value (PLN)	101.25										

Source: Company, IPOPEMA Research

Figure 5. DDM Valuation (PLN m)

PLNm	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Terminal Year
Dividends	0.0	0.0	0.0	28.5	33.5	67.9	70.6	80.3	96.7	103.5	103.5
Discount rate	11.6%	11.6%	11.6%	11.7%	11.7%	11.7%	11.9%	11.9%	11.9%	11.9%	11.9%
Discount factor	0.90	0.80	0.72	0.64	0.58	0.52	0.46	0.41	0.37	0.33	0.29
Discounted dividend	0.0	0.0	0.0	18.4	19.3	35.1	32.6	33.1	35.6	34.1	30.4
Sum of DD PV's	208.1										
DIV terminal growth rate	2.0%										
Terminal value	1,065.6										
PV of terminal value	313.5										
Discount unwind	17.9										
Equity value	539.4										
Per share value (PLN)	83.20										

Source: Company, IPOPEMA Research

Figure 6. Valuation Summary (PLN)

PLN	
DCF	101.25
DDM	83.20
Average	92.22

Source: Company, IPOPEMA Research

Relative valuation

As many of the company's international competitors are private, non-listed companies, and Polish companies operating on the PV market are either incomparable to ML System or there are not enough consensus readings, we decided to show ML System in comparison to international PV utility scale farm operators. This comparison is also imperfect.

Compared to the international peers' median of 2024E EV/EBITDA of 9.0x, ML System trades at 6.8x, which constitutes a 24.9% discount. In our opinion, the average multiple for ML System should be higher, as the company has already launched commercial production of entirely new PV modules.

Figure 7. Relative Valuation

PRICE (LCU)	Ticker	NAME	P/E			EV/EBITDA		
			2023	2024	2025	2023	2024	2025
62.7	SCATCNOK.ST	SCATEC ASA	14.6	17.0	10.7	10.1	7.7	6.6
28.3	NEOEN.PA	NEOEN SA	47.6	45.2	36.7	15.3	13.0	10.7
2.4	AZRE.K	AZURE POWER GLOBAL LTD	NaN	NaN	NaN	6.4	6.0	NaN
15.6	ECVG.DE	ENCAVIS AG	28.7	28.5	25.7	13.1	12.4	11.6
14.0	VL TSA.PA	VOLTALIA SA	32.5	30.1	31.7	10.4	9.0	7.7
4.3	SOL.N	RENESOLA LTD	13.4	7.8	NaN	7.3	5.1	NaN
16.3	SLRS.MC	SOLARIA ENERGIA Y MEDIO AMBIENTE SA	18.4	14.9	12.6	13.8	10.5	8.2
4.0	HRPKK.DE	7C SOLARPARKEN AG	NaN	28.3	NaN	7.5	7.8	6.6
28.1	GREG.MC	GREENERGY RENOVABLES SA	36.2	21.0	19.7	14.2	9.4	7.0
		MEDIAN	28.7	24.7	22.7	10.4	9.0	7.7
63.4	MLSP.WA	ML SYSTEM	39.2	10.5	7.1	10.4	6.8	4.9
		Premium/discount to median						
		ML SYSTEM	na	-57.5%	-68.7%	-0.1%	-24.9%	-36.2%
		Our valuation						
		ML SYSTEM	57.88	15.49	10.49	13.88	9.17	6.86
		Premium/discount to median						
		ML SYSTEM	na	-37.2%	-53.8%	33.9%	1.9%	-11.2%

Source: Reuters, IPOPEMA Research

Risks to fair value

Demand volatility

ML System is exposed to the PV market, which in Poland is undergoing rapid growth. The government, however, has already introduced adverse changes to the support scheme to prosumers starting from 2022.

Unfavourable trend in prices of materials and services

Adverse trends such as rising raw material costs and inflation in transport service costs may hamper the company's profitability.

Potential rise in competition

Given the company's superior profitability, arising from complex solutions and a growing scale of operations, several local competitors might attempt to copy ML System's business model, which could potentially increase competition in the company's most important segments. ML System has, however, patented its technology which limits the possibilities of entering the most attractive segments of quantum dot PV modules. The regular PV modules are exposed to high competition as the market is fragmented and exposed to heavy imports, especially from China.

Workforce shortages

A shortage of skilled labour in the construction industry could result in ML System having insufficient employees to operate its business. There are no shortages at the moment, which would likely allow the company to lower its cost base and cost of third parties in quarters ahead.

Rise in receivables

The biggest threat to ML System would be a rapid increase in receivables stemming from construction contracts, which would cast a shadow over the profitability of the executed contracts.

Economy slowdown

Estimates for the Polish economy point to lower growth rates going forward. As a result, some investments could be suspended, which would raise questions about the level of ML System's future backlog. Decreasing EU funds are likely to accentuate the problem.

Judicial reform in Poland

Reform of the judicial system in Poland which was executed in a controversial way in many parts against the existing constitution in Poland has drawn the attention of the EU Commission which threatened to withhold payout of EU proceeds coming in the form of cheap loans and subsidies. In case this stalemate between the government and the EU persists, this may negatively influence funds for many construction projects beyond 2023 and hamper the company's ability to grow revenues on the domestic market.

Financials

Figure 8. INCOME STATEMENT (PLN m)

	2019	2020	2021	2022	2023E	2024E	2025E
Sales	93.4	127.3	188.8	281.7	332.0	421.6	470.9
Cost of goods & products sold	-81.4	-96.6	-162.2	-244.6	-257.8	-308.5	-330.8
Gross profit	11.9	30.7	26.6	37.0	74.2	113.1	140.1
SG&A	-15.4	-23.0	-30.0	-30.6	-37.2	-66.9	-74.7
Other operating activity	8.5	3.8	7.8	0.7	-12.7	4.2	4.7
EBIT	5.1	11.5	4.4	7.1	24.3	50.4	70.1
Net financial activity	-1.6	-1.3	-1.2	-6.2	-5.8	-7.5	-6.7
Pre-tax profit	3.5	10.3	3.2	0.9	18.5	42.9	63.3
Tax	0.0	-0.1	-1.4	-0.7	-8.1	-4.3	-6.3
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	3.5	10.2	1.7	0.2	10.3	38.6	57.0
EBITDA	14.0	22.1	24.4	36.5	54.7	79.9	99.7

Source: Company, IPOPEMA Research

Figure 9. BALANCE SHEET (PLN m)

	2019	2020	2021	2022	2023E	2024E	2025E
Long-term assets	146.1	184.8	247.9	256.4	304.8	306.6	307.2
Tangible assets	135.2	168.5	213.5	217.5	265.6	266.9	267.2
Receivables and loans	0.2	0.5	0.8	0.8	0.9	1.1	1.3
Intangible assets	7.2	11.0	11.8	17.0	17.1	17.1	17.2
Others	3.5	4.8	21.8	21.2	21.3	21.4	21.6
Current assets	70.1	118.8	142.3	174.8	223.2	278.0	377.2
Inventories	9.6	38.3	57.7	66.5	70.6	84.5	90.6
Receivables from construction activities	15.1	18.9	17.3	11.1	36.4	46.2	51.6
Trade receivables	29.8	40.3	41.7	69.0	81.9	103.9	116.1
Other	15.6	21.3	25.6	28.2	34.3	43.3	118.9
Total assets	216.2	303.5	390.2	431.2	528.1	584.6	684.4
Equity	77.4	144.4	146.2	146.4	156.7	195.4	252.4
Long-term liabilities	92.7	95.3	146.9	133.8	139.6	160.5	169.8
Interest bearing	30.8	25.5	43.4	35.6	35.6	35.6	35.6
Leasing	1.8	2.2	13.3	11.1	11.7	14.0	15.0
Deferred liabilities	58.0	61.4	85.9	82.7	87.2	104.3	111.8
Others	2.0	6.2	4.3	4.4	5.2	6.6	7.4
Short-term liabilities	46.1	63.9	97.1	151.0	231.7	228.7	262.2
Interest bearing	15.1	29.8	33.1	68.7	140.0	118.7	143.9
Trade liabilities	24.7	25.2	47.3	65.3	70.6	84.5	90.6
Deferred liabilities	4.4	6.4	8.7	10.4	10.9	13.1	14.0
Leasing	0.5	1.1	3.3	3.3	6.6	8.4	9.4
Others	1.5	1.4	4.6	3.3	3.5	4.0	4.3
Total liabilities & equity	216.2	303.5	390.2	431.2	528.1	584.6	684.4

Source: Company, IPOPEMA Research

Figure 10. CASH FLOW STATEMENT (PLN m)

	2019	2020	2021	2022	2023E	2024E	2025E
Net profit	3.5	10.2	1.7	0.2	10.3	38.6	57.0
Depreciation	8.9	10.6	20.0	29.4	30.4	29.5	29.6
Change in net working capital	-2.2	-44.4	-15.0	-24.9	-23.0	-31.9	-17.6
Other items	-17.7	1.7	3.5	5.6	5.7	20.9	9.2
Operating cash flow	-7.6	-21.9	10.2	10.3	23.4	57.0	78.3
Purchases of tangibles & intangibles	-40.2	-53.2	-55.4	-45.9	-90.4	-28.5	-27.4
Others	1.4	4.2	0.0	0.0	0.0	0.0	0.0
Investing cash flow	-38.7	-49.0	-55.4	-45.9	-90.4	-28.5	-27.4
Change in interest-bearing debt	17.5	9.4	23.0	27.8	71.3	-21.4	25.2
Dividends	-1.1	0.0	0.0	0.0	0.0	0.0	0.0
Other	30.4	66.9	26.4	10.0	1.8	1.8	-0.5
Financing cash flow	46.8	76.3	49.4	37.8	73.1	-19.6	24.7
Total cash flow	0.5	5.4	4.2	2.3	6.1	9.0	75.6
Cash at beginning of period	14.7	15.1	20.5	24.7	27.1	33.2	42.2
Cash at end of period	15.1	20.5	24.7	27.1	33.2	42.2	117.7

Source: Company, IPOPEMA Research

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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.

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	Number	%
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Total	10	100%

Rating History – ML System

Date	Recommendation	Fair Value	Price at recommendation	Author
09/09/2021	BUY	PLN 127.00	PLN 108.40	Robert Maj
06/05/2022	BUY	PLN 90.94	PLN 73.50	Robert Maj
26/08/2022	BUY	PLN 104.48	PLN 75.75	Robert Maj
21/11/2022	BUY	PLN 83.18	PLN 50.60	Robert Maj
05/04/2023	BUY	PLN 92.22	PLN 62.50	Robert Maj