

ML System

Weak current year sales

We lower our valuation for ML system by 5.5% as we have cut our 2023-2024 EBITDA estimates by 39.5% and 22.9% respectively due to the macroeconomic slowdown; on the other hand, we factor-in proceeds of PLN 56.2m from the equity issue which took place earlier this year. The issue of 0.9m shares is part of a PLN 120m investment plan devoted to the production of photovoltaic roof tiles and façade panels around 2024/2025. It seem to us we are currently at the bottom of the macroeconomic cycle, which became visible in construction companies' results in 2Q23. After a mediocre 2Q23, ML System's management described how the period was burdened by a shift of at least PLN 10m in sales, which are likely to be recorded in 2H23. The firm is also awaiting the finalization and issue of invoices on some larger contracts in 2H23, which in turn should bring EBITDA and an improvement in working capital. The firm recorded weak sales of quantum products in 2Q23, which led to the doubling of trade receivables on a q/q basis. We err on the side of caution: we believe the company is likely to improve its sales profile in 2H23 but we have slashed our EBITDA estimate for FY 2023 by 39.5%. We lower our FV to PLN 87.20 down 5.5% from PLN 92.22 previously and reiterate our BUY recommendation.

Polish GDP and investment bottoming out in 2H23: We expect Polish GDP to rise 0.1% y/y in 2023 and 2.7% y/y in 2024. The bottom of the cycle should take place in 2H23, in our view. We forecast gross capital formation to fall by 6.7% y/y in 2023 and rise by 7.8% y/y in 2024. Fixed investments might decelerate until early 2024, although the annual growth rate should remain in positive territory (3.1% in 2023 and 5.5% in 2024). In the construction sector, activity seems to be deteriorating at a higher pace.

Weak 2Q23 results: Sales arrived 10% higher than the preliminary print. Gross profit was 89% higher while EBITDA loss in absolute terms was broadly in line, despite being 52% above the preliminary print. Net loss arrived in line. We believe this could relate to higher sales of lower margin products compared to the preliminary print. Weak sales of new quantum products (PLN 2.4m in 2Q23 versus PLN 10m in 1Q23) highlights the weakness of the construction market. Trade receivables doubled on a q/q basis while liabilities tripled. This boosted operating cash flow in 2Q23. Net debt/EBITDA fell in 2Q23 as the company coffered the proceeds of the equity share issue. We expect sales at PLN 65m in 3Q23 (with around PLN 10m shifted from 2Q23) and PLN 91m in 4Q23.

Entry of new business lines: ML System intends to enter new business lines: the production of photovoltaic roof tiles and facades. Using its licensed and patented technology, MLS has presented a PLN 120m investment programme for 2023-2024E, of which PLN 56m will be covered by share issue; the remainder will be covered by loans, own proceeds or grants.

Figure 1. ML System financials (PLN m)

	2020	2021	2022	2023E	2024E	2025E
Revenue	127.3	188.8	281.7	250.5	359.4	474.6
EBIT	11.5	4.4	7.1	6.4	14.8	19.9
EBITDA	22.1	24.4	36.5	33.3	61.6	75.6
Net profit	10.2	1.7	0.2	-4.3	4.4	9.4
EPS	1.7	0.3	0.0	-0.6	0.6	1.3
DPS	0.0	0.0	0.0	0.0	0.0	0.0
P/E (x)	38.1	228.7	1,969.3	-107.2	109.2	51.3
EV/EBITDA (x)	19.2	19.2	14.1	18.8	11.0	8.4

Source: Company, IPOPEMA Research

Construction

ML System

BUY

FV PLN 87.20

33.5% upside

Price as of 29 September 2023 PLN 65.30

Recommendation maintained



Share data

Number of shares (m)	7.4
Market cap (EUR m)	104.1
12M avg daily volume (k)	7.8
12M avg daily turnover (EUR m)	0.1
12M high/low (PLN)	87.3/45.6
WIG weight (%)	0.07
Reuters	MLSP.WA
Bloomberg	MLS PW

Total performance

1M	-9.3%
3M	-13.9%
12M	+23.2%

Shareholders

Dawid Cycoń	27.33%
Edyta Stanek	27.10%
NN OFE	9.14%

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ML SYSTEM

MLS PW

FV PLN 87.20

Mkt Cap EUR 104.1m

Valuation multiples	2020	2021	2022	2023E	2024E
P/E (x)	38.1	228.7	1,969.3	-107.2	109.2
EV/EBITDA (x)	19.2	19.2	14.1	18.8	11.0
EV/Sales (x)	3.34	2.48	1.83	2.50	1.89
P/BV (x)	2.68	2.73	2.89	2.30	2.37
FCF yield (%)	-18%	-11%	-8%	-32%	-15%
DY (%)	0%	0%	0%	0%	0%

Per share	2020	2021	2022	2023E	2024E
No. of shares (m units)	5.9	6.1	6.5	7.0	7.4
EPS (PLN)	1.72	0.29	0.03	-0.61	0.60
BVPS (PLN)	24.33	23.90	22.58	28.43	27.59
FCFPS (PLN)	-11.96	-7.38	-5.48	-20.95	-9.60
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%	-11.1%	43.4%
EBITDA	57.7%	10.1%	49.8%	-8.9%	85.2%
EBIT	125.6%	-61.8%	60.8%	-9%	130%
Pre-tax	191.9%	-69.1%	-72.0%	-414.1%	-275.4%
Net profit	193.7%	-82.8%	-87.7%	-2085%	-203.4%

Leverage and return	2020	2021	2022	2023E	2024E
Gross margin (%)	24.1%	14.1%	13.1%	16.2%	14.3%
EBITDA margin (%)	17.4%	12.9%	13.0%	13.3%	17.1%
EBIT margin (%)	9.1%	2.3%	2.5%	2.6%	4.1%
Net margin (%)	8.0%	0.9%	0.1%	-1.7%	1.2%
Net debt / EBITDA (x)	1.72	2.80	2.51	5.06	3.21
Net debt / Equity (x)	0.26	0.47	0.63	0.85	0.97
Leverage Ratio (x)	0.37	0.37	0.43	0.49	0.55
ROE (%)	9.2%	1.2%	0.1%	-2.5%	2.2%
ROA (%)	24.6%	3.2%	0.3%	-5.1%	4.0%
ROIC (%)	5.6%	0.8%	0.1%	-1.2%	1.1%

Assumptions	2020	2021	2022	2023E	2024E
Sales (PLN m)	127.3	188.8	281.7	250.5	359.4
Quantum tiles/facades	0.0	0.0	0.0	0.0	0.0
PV	123.3	183.5	245.6	206.9	202.8
R&D	0.3	0.0	0.0	0.0	0.0
Unallocated	1.8	2.2	0.6	0.2	0.2
Quantum + 2D Glass	0.0	3.2	35.5	43.4	107.0
Active Glass	0.0	0.0	0.0	0.0	49.4
Poland GDP (%)	-2.0%	6.8%	4.8%	0.3%	2.5%
Poland CPI (%)	3.4%	5.1%	14.3%	13.4%	5.2%
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	250.5	359.4	474.6
Quantum tiles/facades	0.0	0.0	0.0	0.0	0.0	80.0
PV	123.3	183.5	245.6	206.9	202.8	182.5
R&D	0.3	0.0	0.0	0.0	0.0	0.0
Unallocated	1.8	2.2	0.6	0.2	0.2	0.2
Quantum + 2D Glass	0.0	3.2	35.5	43.4	107.0	110.2
Active Glass	0.0	0.0	0.0	0.0	49.4	101.7
Costs	-96.6	-162.2	-244.6	-210.1	-308.1	-406.5
SG&A	-23.0	-30.0	-30.6	-33.3	-40.1	-52.9
EBIT	11.5	4.4	7.1	6.4	14.8	19.9
EBITDA	22.1	24.4	36.5	33.3	61.6	75.6
Financial income (cost) net	-1.3	-1.2	-6.2	-9.2	-9.9	-9.5
Pre-tax	10.3	3.2	0.9	-2.8	4.9	10.4
Tax	-0.1	-1.4	-0.7	-1.5	-0.5	-1.0
Net profit	10.2	1.7	0.2	-4.3	4.4	9.4

BALANCE SHEET (PLN m)	2020	2021	2022	2023E	2024E	2025E
Non-current assets	184.8	247.9	256.4	414.4	467.0	454.5
Intangible assets	11.0	11.8	17.0	17.1	17.1	17.1
PP&E	168.5	213.5	217.5	375.4	427.5	414.5
Receivables	0.5	0.8	0.8	0.7	1.0	1.3
Current assets	118.8	142.3	174.8	149.0	219.9	290.0
Inventories	38.3	57.7	66.5	57.6	84.4	111.4
Trade receivables	40.3	41.7	69.0	54.9	78.8	104.0
Cash and equivalents	20.5	24.7	27.1	25.1	35.9	47.5
Other current assets	19.6	18.2	12.3	11.4	20.8	27.2
Total assets	303.5	390.2	431.2	563.3	686.9	744.5
Equity	144.4	146.2	146.4	199.2	203.6	213.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	95.3	146.9	133.8	143.6	193.8	244.4
Loans and leasing	27.7	56.7	46.7	45.1	49.6	54.0
Other non-current liabilities	67.6	90.2	87.1	98.4	144.3	190.4
Current liabilities	63.9	97.1	151.0	220.6	289.5	287.1
Trade payables	25.2	47.3	65.3	60.4	88.6	116.9
Loans and leasing	30.9	36.4	72.0	148.3	183.9	148.0
Other current liabilities	7.8	13.4	13.6	11.8	17.0	22.1
Equity & liabilities	303.5	390.2	431.2	563.3	686.9	744.5
Inventories turnover (days)	144.6	129.8	99.2	100.0	100.0	100.0
Receivable turnover (days)	115.6	80.6	89.4	80.0	80.0	80.0
Net debt (PLN m)	38.0	68.4	91.7	168.4	197.5	154.6

CASH FLOW (PLN m)	2020	2021	2022	2023E	2024E	2025E
Operating cash flow	-21.9	10.2	10.3	51.1	69.8	85.6
Net income	10.2	1.7	0.2	-4.3	4.4	9.4
D&A	10.6	20.0	29.4	26.8	46.8	55.7
Change in WC	-44.4	-15.0	-24.9	19.0	-31.9	-30.2
Other	1.7	3.5	5.6	9.5	50.5	50.8
Investment cash flow	-49.0	-55.4	-45.9	-200.2	-96.6	-40.1
CAPEX	-49.0	-55.4	-45.9	-200.2	-96.6	-40.1
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	147.1	37.7	-34.0
Change in equity	56.0	0.1	0.0	56.2	0.0	0.0
Change in debt	9.4	23.0	27.8	74.6	33.4	-38.2
Dividend	0.0	0.0	0.0	0.0	0.0	0.0
Other	10.9	26.3	10.0	16.4	4.3	4.3
Change in cash	5.4	4.2	2.3	-2.0	10.9	11.5
Cash as of eop	20.5	24.7	27.1	25.1	35.9	47.5

Source: Company data, IPOPEMA Research

CONTENTS

Valuation	4
Changes in forecast.....	4
2Q23 results overview	4
Relative valuation	6
Risks to fair value	7
Financials	8

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. Changes in forecasts

	2023			2024			2025		
	OLD	NEW	change	OLD	NEW	change	OLD	NEW	change
Revenues	332.0	250.5	-24.5%	421.6	359.4	-14.8%	470.9	474.6	0.8%
Costs	-257.8	-210.1	-18.5%	-308.5	-308.1	-0.1%	-330.8	-406.5	22.9%
EBITDA	54.7	33.3	-39.1%	79.9	61.6	-22.9%	99.7	75.6	-24.2%
Net profit	10.3	-4.3	na	38.6	4.4	-88.6%	57.0	9.4	-83.5%

Source: Company, IPOPEMA Research

2Q23 results overview

Figure 3. ML System: 2Q23A results overview (PLN m)

	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	YY	Q/Q	2Q23 prelim.	diff
Revenues	26.28	46.13	49.03	67.37	54.93	50.33	63.69	112.71	46.09	48.42	-3.8%	5.1%	43.81	10.5%
Gross profit	4.21	7.53	5.72	9.13	4.34	7.27	13.36	12.06	4.25	4.08	-43.9%	-4.0%	2.15	89.3%
EBITDA	2.52	8.45	4.93	8.46	5.32	7.79	8.22	15.17	7.44	-0.21	na	na	-0.14	51.8%
EBIT	-0.36	4.07	-1.19	1.89	-1.70	0.40	0.72	7.68	0.14	-6.44	na	na	na	na
Net profit	-0.46	3.68	-1.83	0.36	-2.75	-1.01	-0.93	4.90	-2.26	-8.39	731.7%	271.0%	-8.34	0.6%

Source: Company, IPOPEMA Research

Figure 4. DCF Valuation

PLN m	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Terminal Year
Revenues	250.5	359.4	474.6	655.2	741.2	807.1	876.3	902.6	929.7	957.6	957.6
EBIT	6.4	14.8	19.9	44.3	79.7	125.9	160.7	191.7	215.0	229.8	229.8
Tax on EBIT	-3.4	1.5	2.0	4.4	8.0	23.9	30.5	36.4	40.8	43.7	43.7
NOPLAT	9.8	13.3	18.0	39.8	71.7	102.0	130.2	155.2	174.1	186.2	186.2
Depreciation	26.8	46.8	55.7	53.3	53.3	49.5	52.7	56.0	59.6	63.4	63.4
Capital expenditures	-200.2	-96.6	-40.1	-38.2	-38.0	-44.0	-46.7	-49.5	-52.6	-58.6	-58.6
Change in working capital	19.0	-31.9	-30.2	-47.6	-23.1	-17.8	-18.6	-7.3	-7.4	-7.5	-7.5
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	-146.8	-70.9	0.6	4.5	60.7	86.3	113.8	150.3	169.2	178.7	178.7
Risk-free rate	5.90%	6.09%	6.29%	6.48%	6.64%	6.78%	6.84%	6.84%	6.84%	6.84%	6.84%
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	11.40%	11.59%	11.79%	11.98%	12.14%	12.28%	12.34%	12.34%	12.34%	12.34%	12.34%
Cost of debt (pre-tax)	8.4%	8.6%	8.8%	9.0%	9.1%	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%
Effective tax rate	45.0%	75.8%	-52.6%	10.0%	10.0%	10.0%	10.0%	19.0%	19.0%	19.0%	19.0%
After-tax cost of debt	4.6%	2.1%	13.4%	8.1%	8.2%	8.3%	8.4%	7.6%	7.6%	7.6%	7.6%
Weight of debt	20.3%	20.8%	16.0%	13.6%	13.1%	12.5%	12.4%	12.1%	13.8%	12.8%	12.8%
Weight of equity	79.7%	79.2%	84.0%	86.4%	86.9%	87.5%	87.6%	87.9%	86.2%	87.2%	87.2%
WACC	10.0%	9.6%	12.0%	11.4%	11.6%	11.8%	11.9%	11.8%	11.7%	11.7%	11.7%
Discount fact	0.91	0.83	0.74	0.66	0.59	0.53	0.48	0.43	0.38	0.34	0.31
PV of FCF	-133.4	-58.8	0.4	3.0	36.1	45.9	54.1	64.0	64.5	60.9	54.5
Sum of FCF PV's	136.8										
FCF terminal growth rate	2.0%										
Terminal value	1,872.6										
PV of terminal value	571.7										
Unwind of discount	52.9										
Enterprise value	761.4										
Net debt 2022	91.7										
Employees liabilities	-1.9										
Dividend paid out in 2023 (ytd terms)	0.0										
Share issue	56.2										
Per share value (PLN)	96.53										

Source: Company, IPOPEMA Research

Figure 5. DDM Valuation

PLNm	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Terminal Year
Dividends	0.0	0.0	0.0	4.7	17.6	34.8	51.0	95.6	115.0	129.3	129.3
Discount rate	11.4%	11.6%	11.8%	12.0%	12.1%	12.3%	12.3%	12.3%	12.3%	12.3%	12.3%
Discount factor	0.90	0.80	0.72	0.64	0.57	0.51	0.45	0.40	0.36	0.32	0.29
Discounted dividend	0.0	0.0	0.0	3.0	10.1	17.7	23.2	38.7	41.4	41.4	36.9
Sum of DD PV's	175.5										
DIV terminal growth rate	2.0%										
Terminal value	1,274.7										
PV of terminal value	363.6										
Discount unwind	44.9										
Equity value	584.0										
Per share value (PLN)	77.86										

Source: Company, IPOPEMA Research

Figure 6. Valuation Summary

PLN	
DCF	96.53
DDM	77.86
Average	87.20

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 8.0x, ML System trades at 11.0x, which constitutes a 38.3% premium. In our opinion, the average multiple for ML System could be even higher, as the company plans to enter new, profitable business lines.

Figure 7. Relative Valuation

PRICE (LCU)	Ticker	NAME	P/E			EV/EBITDA			EV/SALES		
			2023	2024	2025	2023	2024	2025	2023	2024	2025
24.6	CSIQ.O	CANADIAN SOLAR	4.3	4.5	4.6	5.4	4.7	4.3	0.6	0.5	0.4
250.2	TSLA.O	TESLA	73.4	57.6	42.9	44.8	36.4	26.5	7.8	6.3	5.1
161.6	FSLR.O	FIRST SOLAR	21.1	12.0	7.5	13.7	8.0	5.2	4.5	3.4	2.7
932.0	6753.T	SHARP CORPORATION	NaN	34.0	19.4	18.2	11.7	9.3	0.4	0.4	0.4
30.6	688599.SS	TRINA SOLAR	8.9	7.1	5.7	8.8	6.5	5.3	0.8	0.7	0.6
5,244.0	5201.T	AGC INC.	18.1	11.4	9.6	5.7	5.1	4.7	0.9	0.9	0.9
7,587.0	6971.T	KYOCERA	22.1	20.2	17.7	11.6	10.3	8.9	1.4	1.4	1.3
16.0	RECSI.OL	REC SILICON ASA	NaN	NaN	6.4	NaN	NaN	NaN	5.3	2.5	1.5
6.2	SPWR.O	SUNPOWER CORPORATION	NaN	28.5	14.4	23.5	11.7	8.2	0.7	0.7	0.6
24.0	WBSV.VI	WIENERBERGER	6.7	6.8	6.1	5.1	4.7	4.4	0.9	0.8	0.8
65.3	MLSP.WA	ML SYSTEM	-107.2	109.2	51.3	18.8	11.0	8.4	2.5	1.9	1.3
		Premium/discount to median									
		ML SYSTEM	NaN	812.0%	497.6%	62.1%	38.3%	59.5%	167.4%	121.0%	64.1%
		Our valuation									
		ML SYSTEM	-158.52	161.48	75.76	25.39	14.77	11.47	3.37	2.53	1.83
		Premium/discount to median									
		ML SYSTEM	NaN	NaN	783.4%	118.8%	85.2%	117.2%	261.0%	196.0%	123.6%

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	2026E
Sales	93.4	127.3	188.8	281.7	250.5	359.4	474.6	655.2
Cost of goods & products sold	-81.4	-96.6	-162.2	-244.6	-210.1	-308.1	-406.5	-544.5
Gross profit	11.9	30.7	26.6	37.0	40.5	51.3	68.1	110.8
SG&A	-15.4	-23.0	-30.0	-30.6	-33.3	-40.1	-52.9	-73.1
Other operating activity	8.5	3.8	7.8	0.7	-0.8	3.6	4.7	6.6
EBIT	5.1	11.5	4.4	7.1	6.4	14.8	19.9	44.3
Net financial activity	-1.6	-1.3	-1.2	-6.2	-9.2	-9.9	-9.5	-5.2
Pre-tax profit	3.5	10.3	3.2	0.9	-2.8	4.9	10.4	39.1
Tax	0.0	-0.1	-1.4	-0.7	-1.5	-0.5	-1.0	-3.9
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	3.5	10.2	1.7	0.2	-4.3	4.4	9.4	35.2
EBITDA	14.0	22.1	24.4	36.5	33.3	61.6	75.6	97.6

Source: Company, IPOPEMA Research

Figure 9. BALANCE SHEET (PLN m)

	2019	2020	2021	2022	2023E	2024E	2025E	2026E
Long-term assets	146.1	184.8	247.9	256.4	414.4	467.0	454.5	442.8
Tangible assets	135.2	168.5	213.5	217.5	375.4	427.5	414.5	402.2
Receivables and loans	0.2	0.5	0.8	0.8	0.7	1.0	1.3	1.8
Intangible assets	7.2	11.0	11.8	17.0	17.1	17.1	17.1	17.1
Others	3.5	4.8	21.8	21.2	21.3	21.4	21.6	21.8
Current assets	70.1	118.8	142.3	174.8	149.0	219.9	290.0	441.2
Inventories	9.6	38.3	57.7	66.5	57.6	84.4	111.4	149.2
Receivables from construction activities	15.1	18.9	17.3	11.1	10.3	19.7	26.0	35.9
Trade receivables	29.8	40.3	41.7	69.0	54.9	78.8	104.0	143.6
Other	15.6	21.3	25.6	28.2	26.2	37.1	48.6	112.5
Total assets	216.2	303.5	390.2	431.2	563.3	686.9	744.5	884.1
Equity	77.4	144.4	146.2	146.4	199.2	203.6	213.0	243.5
Long-term liabilities	92.7	95.3	146.9	133.8	143.6	193.8	244.4	315.6
Interest bearing	30.8	25.5	43.4	35.6	35.6	35.6	35.6	35.6
Leasing	1.8	2.2	13.3	11.1	9.5	14.0	18.5	24.7
Deferred liabilities	58.0	61.4	85.9	82.7	94.5	138.6	182.9	245.0
Others	2.0	6.2	4.3	4.4	3.9	5.6	7.4	10.2
Short-term liabilities	46.1	63.9	97.1	151.0	220.6	289.5	287.1	325.0
Interest bearing	15.1	29.8	33.1	68.7	143.3	176.7	138.5	125.9
Trade liabilities	24.7	25.2	47.3	65.3	60.4	88.6	116.9	156.6
Deferred liabilities	4.4	6.4	8.7	10.4	8.9	13.1	17.2	23.1
Leasing	0.5	1.1	3.3	3.3	5.0	7.2	9.5	13.1
Others	1.5	1.4	4.6	3.3	2.9	3.9	4.9	6.3
Total liabilities & equity	216.2	303.5	390.2	431.2	563.3	686.9	744.5	884.1

Source: Company, IPOPEMA Research

Figure 10. CASH FLOW STATEMENT (PLN m)

	2019	2020	2021	2022	2023E	2024E	2025E	2026E
Net profit	3.5	10.2	1.7	0.2	-4.3	4.4	9.4	35.2
Depreciation	8.9	10.6	20.0	29.4	26.8	46.8	55.7	53.3
Change in net working capital	-2.2	-44.4	-15.0	-24.9	19.0	-31.9	-30.2	-47.6
Other items	-17.7	1.7	3.5	5.6	9.5	50.5	50.8	71.5
Operating cash flow	-7.6	-21.9	10.2	10.3	51.1	69.8	85.6	112.3
Purchases of tangibles & intangibles	-40.2	-53.2	-55.4	-45.9	-200.2	-96.6	-40.1	-38.2
Others	1.4	4.2	0.0	0.0	0.0	0.0	0.0	0.0
Investing cash flow	-38.7	-49.0	-55.4	-45.9	-200.2	-96.6	-40.1	-38.2
Change in interest-bearing debt	17.5	9.4	23.0	27.8	74.6	33.4	-38.2	-12.6
Dividends	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	-4.7
Other	30.4	66.9	26.4	10.0	72.6	4.3	4.3	7.1
Financing cash flow	46.8	76.3	49.4	37.8	147.1	37.7	-34.0	-10.2
Total cash flow	0.5	5.4	4.2	2.3	-2.0	10.9	11.5	63.9
Cash at beginning of period	14.7	15.1	20.5	24.7	27.1	25.1	35.9	47.5
Cash at end of period	15.1	20.5	24.7	27.1	25.1	35.9	47.5	111.4

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	%
Buy	73	72%
Hold	21	21%
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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
02/10/2023	BUY	PLN 87.29	PLN 65.30	Robert Maj