

Sunex

1Q24 results overview and conference call highlights

Sunex reported its 1Q24 results of EBITDA loss of PLN 6.8m, -compared to our forecast of a loss of PLN 3.7m. The loss is higher as the top line arrived 3.8% lower than the preliminary print: PLN 35.7m vs PLN 37.1m reported few weeks back. This to large extent explains the difference on the results on EBITDA line to our forecast. The company held also today a conference call with analysts'. Here are the main highlights:

- Second company will be incorporated to the Sunex group in Germany after acquisition of Drolsbach entity. According to the management this will increase rapidly the group's sales in Germany.
- Company signed a letter of intent on Austrian market in the ready-built houses. In following weeks Sunex will establish if this process will be finalized with an acquisition.
- Sales on Austrian market is likely to improve in the 2Q24.
- Acquisition of Mavex group will results in lower monthly rent payments in Raciborz facility. To date Sunex was renting these premises.
- The company does not see the inflow of EU funds yet. In contrary, Sunex experienced few local contracts being cancelled by local counties as there were insufficient public funds to deliver larger contracts.
- Share issue is likely to be finalized by the end of 3Q24.
- The company sees that prospects for financing for the end clients on the German market are improving. This was not yet visible two three months back.
- On the Polish market slowdown on the Polish market is still visible.
- On the Polish market the ZUM list is likely to be presented only by December, not by June as earlier expected.
- The company may manouver with the employment level during current slowdown on the market. This is easy to do as the company uses third parties companies for stuffing.
- Bank covenants' are set on 3.5x-4.0x net debt/EBITDA level and are likely to be breached around mid-year. The company does not expect negative banks' reaction as it still negotiating with them.
- Sales is likely to improve in 2Q24 especially on the Austrian market.
- SG&A costs are set to be similar to the 1Q24 however sales is likely to grow.

Technology

Sunex

BUY

FV PLN 12.37

13.0% upside

Price as of 28 May 2024 PLN 10.62

Opinion: Neutral. Outlook presented by the company is line with our view on 2024 prospects.

Analyst

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Figure 1. Sunex: 1Q24 results overview (PLN m)

	1Q23	2Q23	3Q23	4Q23	1Q24	Y/Y	Q/Q	1Q24 IPOP	diff 1Q24prelim.	diff	
Revenues	100.53	88.13	81.41	45.66	35.70	-64.5%	-21.8%	37.10	-3.8%	37.10	-3.8%
Gross profit	20.09	23.62	15.75	34.09	4.69	-76.7%	-86.2%	1.75	167.9%	na	na
EBITDA	13.78	13.24	8.43	3.07	-6.84	na	na	-3.70	84.9%	na	na
EBIT	12.26	11.79	6.52	-0.17	-9.54	na	na	-6.90	38.2%	na	na
Net profit	9.68	9.81	2.18	2.69	-8.83	na	na	-6.02	46.8%	na	na

Source: Company, IPOPEMA Research

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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 History - Sunex

Date	Recommendation	Fair Value	Price at recommendation	Author
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