

# Sunex

## Protracted slowdown

We downgrade our recommendation on Sunex from BUY to HOLD as the slowdown on the domestic and German heat pumps market does not appear to be abating. We expect the company to post a net loss of PLN -0.9m in 2Q24 (down from a profit of PLN 9.8m a year ago), with sales amounting to PLN 45m (up 26% q/q) in the period. Net debt/EBITDA covenants are likely to be breached in 2024. Despite this, we expect the firm to receive a waiver from banks in 2H24. Sunex obtained an NCBiR subsidy of PLN 15.2m for a PLN 45m project for the development of composite hydrogen tanks (already included before in our valuation). We expect this to generate liquidity of several million PLN towards the end of the year. Sunex has also slashed its dividend payout to zero for the current year, which impacts our DDM valuation. After CAPEX of PLN 6.8m in 1Q24, we now expect the firm to cut investment outlays to a minimum in subsequent quarters, to a total of PLN 9.8m in 2024E. Overall, we expect Sunex to post EBITDA of PLN 16.6m in 2024E (down 27.3% from our previous estimate), PLN 19.4m in 2025E (down 41.1% from our previous estimate) and PLN 34.7m in 2026E (down 15.4% versus our previous forecast). We expect the upward trajectory to be driven by macroeconomic growth, with a pick-up arriving as early as 2H24. The lack of dividends, lower EBITDA and a higher risk-free rate has reduced our valuation by 10.6%, from PLN 12.37 to PLN 11.05 per share. We downgrade our recommendation from BUY to HOLD.

**Net debt/EBITDA covenants to be breached in 2024:** The firm's net debt/EBITDA ratio breached debt covenants in 1Q24; we believe this will also be the case in 2Q24. We forecast a net debt/EBITDA ratio of 3.7x in FY2024; we also expect the banks financing Sunex to put a temporary waiver on the firm's finances in 2H24. This poses a risk to our equity story, although we forecast results to improve in 2H24. We expect the improvement to be driven primarily by the Austrian market, with Sunex's bottom line moving into the black in 3Q24 (PLN 1m) and 4Q24 (PLN 8.3m). However, this still implies net profit in the red at PLN -0.4m in FY 2024, while hinting at improvements in 2025, driven by the rebound on the Austrian market and the stabilizing situation on the Polish market after the implementation of the approved list of devices eligible for refund (i.e. the ZUM list).

**2Q24 results preview:** Sunex is expected to post its preliminary 2Q24 sales at some point in early in July. We estimate sales at PLN 45m (down 48.9% y/y, up 26% q/q) for the period. We believe this low level of sales will drag the bottom line to a loss of PLN 0.9m in 2Q24, after a loss of PLN 8.8m in 1Q24. EBITDA is likely to come in at PLN 3.1m for 2Q24.

**Subsidy for new project in line with expectations:** As we anticipated, Sunex received a subsidy from NCBiR amounting to PLN 15.2m, earmarked for the development of composite tanks designed for households. This latest project is planned to run from 2023-2025. The first of the new products are scheduled to hit the market in 2025. Sunex first plans to distribute them in Austria and Germany.

Figure 1. Sunex financials (PLN m)

	2021	2022	2023	2024E	2025E	2026E
Revenue	130.5	289.5	315.7	200.7	232.6	279.4
EBIT	10.2	51.4	30.4	4.6	10.7	25.0
EBITDA	13.8	55.5	38.6	16.6	19.4	34.7
Net profit	6.2	39.0	24.4	-0.4	6.5	18.9
P/E (x)	34.4	5.5	8.8	na	36.4	12.4
EV/EBITDA (x)	18.3	4.9	8.4	17.3	15.8	9.0

Source: Company, IPOPEMA Research

Technology

## Sunex

**HOLD**

**FV PLN 11.05**

4.7% upside

Price as of 27 June 2024 PLN 10.56

Recommendation downgraded



### Share data

Number of shares (m)	20.3
Market cap (EUR m)	49.7
12M avg daily volume (k)	33.2
12M avg daily turnover (EUR m)	0.1
12M high/low (PLN)	24.3/9.44
WIG weight (%)	0.02
Reuters	SNXP.WA
Bloomberg	SNX PW

### Total performance

1M	-1.5%
3M	-12.0%
12M	-54.7%

### Shareholders

Polska Ekologia	48.16%
Romuald Kalyciok	17.26%
Others	34.58%

### Analyst

Robert Maj  
 robert.maj@ipopema.pl  
 + 48 22 236 92 90

**SUNEX****SNX PW**

Mkt Cap EUR 49.7m

**HOLD FV 11.05**

4.7% upside

Valuation multiples	2021	2022	2023	2024E	2025E
P/E (x)	34.4	5.5	8.8	na	36.4
EV/EBITDA (x)	18.3	4.9	8.4	17.3	15.8
EV/Sales (x)	1.94	0.94	1.02	1.43	1.31
P/BV (x)	5.01	2.67	2.17	1.84	1.83
FCF yield (%)	-7%	-6%	16%	-3%	-2%
DY (%)	0%	1%	3%	0%	0%

Per share	2021	2022	2023	2024E	2025E
No. of shares (m units)	20.3	20.3	20.3	21.3	22.3
EPS (PLN)	0.31	1.92	1.20	-0.02	0.29
BVPS (PLN)	2.11	3.95	4.86	5.74	5.77
FCFPS (PLN)	-0.72	-0.67	1.70	-0.33	-0.17
DPS (PLN)	0.04	0.10	0.28	0.00	0.00

Change y/y (%)	2021	2022	2023	2024E	2025E
Revenues	54.4%	121.8%	9.1%	-36.4%	15.9%
EBITDA	11.5%	302.2%	-30.5%	-57.0%	17.0%
EBIT	0.7%	404.6%	-41%	-85%	133%
Pre-tax	4.4%	460.9%	-45.0%	-101.8%	na
Net profit	-4.9%	526.5%	-37.5%	-101.5%	na

Leverage and return	2021	2022	2023	2024E	2025E
Gross margin (%)	16.8%	25.4%	29.6%	28.9%	28.4%
EBITDA margin (%)	10.6%	19.2%	12.2%	8.3%	8.3%
EBIT margin (%)	7.8%	17.7%	9.6%	2.3%	4.6%
Net margin (%)	4.8%	13.5%	7.7%	-0.2%	2.8%
Net debt / EBITDA (x)	2.80	1.04	2.82	3.73	3.62
Net debt / Equity (x)	0.90	0.72	1.10	0.51	0.55
Leverage Ratio (x)	0.33	0.26	0.30	0.32	0.29
ROE (%)	15.5%	63.4%	27.2%	-0.3%	5.2%
ROA (%)	46.2%	243.3%	91.1%	-1.0%	17.8%
ROIC (%)	7.6%	28.3%	11.7%	-0.2%	3.3%

Assumptions	2021	2022	2023	2024E	2025E
<b>Revenues</b>	<b>130.5</b>	<b>289.5</b>	<b>315.7</b>	<b>200.7</b>	<b>232.6</b>
Poland	52.8	88.5	49.9	25.7	45.9
Germany	70.6	177.9	156.2	104.0	111.0
Austria	0.0	0.0	99.8	66.4	70.9
Poland	40%	31%	16%	13%	20%
Germany	54%	61%	49%	52%	50%
Austria	0%	0%	32%	33%	30%
Poland GDP (%)	6.8%	5.1%	0.2%	2.4%	4.1%
Poland CPI (%)	5.1%	14.3%	11.6%	4.7%	4.6%
Constr. activity(%)	2.8%	1.9%	1.9%	2.9%	2.7%
USD PLN (avg)	3.86	4.46	4.20	3.92	3.76
EURPLN (avg)	4.56	4.68	4.54	4.29	4.22

P&L (PLN m)	2021	2022	2023	2024E	2025E	2026E
<b>Revenues</b>	<b>130.5</b>	<b>289.5</b>	<b>315.7</b>	<b>200.7</b>	<b>232.6</b>	<b>279.4</b>
Costs	-108.5	-215.8	-222.2	-142.7	-166.6	-188.1
<b>Gross profit</b>	<b>22.0</b>	<b>73.7</b>	<b>93.6</b>	<b>58.0</b>	<b>65.9</b>	<b>91.3</b>
Sales costs	-8.5	-18.6	-46.3	-36.7	-42.6	-51.1
Administration costs	-3.8	-7.6	-22.9	-20.3	-16.9	-20.3
Other revenues	3.3	6.2	7.8	5.6	6.5	7.8
Other costs	-2.8	-2.3	-1.8	-1.9	-2.2	-2.7
<b>EBIT</b>	<b>10.2</b>	<b>51.4</b>	<b>30.4</b>	<b>4.6</b>	<b>10.7</b>	<b>25.0</b>
Financial gains	0.1	0.3	2.0	1.8	0.3	0.4
Financial costs	-1.7	-3.6	-6.0	-6.8	-3.9	-4.3
<b>EBITDA</b>	<b>13.8</b>	<b>55.5</b>	<b>38.6</b>	<b>16.6</b>	<b>19.4</b>	<b>34.7</b>
Financial income (cost) net	-1.6	-3.3	-4.0	-5.0	-3.6	-3.9
Pre-tax	8.6	48.0	26.4	-0.5	7.2	21.0
Tax	-2.3	-9.0	-2.0	0.1	-0.7	-2.1
<b>Net profit</b>	<b>6.2</b>	<b>39.0</b>	<b>24.4</b>	<b>-0.4</b>	<b>6.5</b>	<b>18.9</b>

BALANCE SHEET (PLN m)	2021	2022	2023	2024E	2025E	2026E
<b>Non-current assets</b>	<b>54.9</b>	<b>73.3</b>	<b>140.7</b>	<b>137.9</b>	<b>152.0</b>	<b>160.8</b>
Intangible assets	3.5	3.7	23.6	30.5	30.6	30.7
PP&E	44.8	61.4	101.7	94.6	107.8	115.5
Receivables and others	6.6	8.2	15.4	12.8	13.5	14.6
<b>Current assets</b>	<b>61.7</b>	<b>125.8</b>	<b>128.3</b>	<b>85.5</b>	<b>99.5</b>	<b>114.9</b>
Inventories	39.4	83.8	85.4	54.7	63.9	72.1
Trade receivables	16.5	37.3	33.2	25.8	29.9	36.0
Cash and equivalents	0.8	2.9	2.0	2.0	2.3	2.8
Other current assets	5.0	1.9	7.6	2.9	3.3	4.0
<b>Total assets</b>	<b>116.6</b>	<b>199.1</b>	<b>269.0</b>	<b>223.3</b>	<b>251.5</b>	<b>275.7</b>
<b>Equity</b>	<b>42.8</b>	<b>80.2</b>	<b>98.7</b>	<b>122.1</b>	<b>128.6</b>	<b>145.6</b>
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>22.7</b>	<b>32.8</b>	<b>66.9</b>	<b>56.8</b>	<b>59.3</b>	<b>62.5</b>
Loans and leasing	15.5	23.4	51.0	47.4	48.4	49.8
Other non-current liabilities	7.2	9.4	16.0	9.3	10.9	12.6
<b>Current liabilities</b>	<b>51.1</b>	<b>86.2</b>	<b>103.4</b>	<b>44.5</b>	<b>63.7</b>	<b>67.7</b>
Trade payables	24.7	39.7	33.3	21.5	32.0	28.3
Loans and leasing	23.9	37.0	59.8	16.4	24.1	30.3
Other current liabilities	2.5	9.4	10.3	6.6	7.6	9.0
<b>Equity &amp; liabilities</b>	<b>116.6</b>	<b>199.1</b>	<b>269.0</b>	<b>223.3</b>	<b>251.5</b>	<b>275.7</b>
Inventories turnover (days)	132.4	141.7	140.4	140.0	140.0	140.0
Receivable turnover (days)	46.1	47.1	38.4	47.0	47.0	47.0
<b>Net debt (PLN m)</b>	<b>38.6</b>	<b>57.6</b>	<b>108.7</b>	<b>61.8</b>	<b>70.2</b>	<b>77.4</b>

CASH FLOW (PLN m)	2021	2022	2023	2024E	2025E	2026E
<b>Operating cash flow</b>	<b>-12.7</b>	<b>2.9</b>	<b>23.4</b>	<b>41.7</b>	<b>17.6</b>	<b>16.5</b>
Net income	6.2	39.0	24.4	-0.4	6.5	18.9
D&A	3.6	4.1	8.1	12.0	8.6	9.7
Change in WC	-22.6	-49.2	-1.0	30.9	-3.3	-18.5
Other	0.0	9.1	-8.1	-0.8	5.7	6.3
<b>Investment cash flow</b>	<b>-1.9</b>	<b>-16.5</b>	<b>-58.7</b>	<b>-11.8</b>	<b>-22.0</b>	<b>-17.5</b>
CAPEX	-2.6	-17.0	-40.0	-11.8	-22.0	-17.5
Dividends received	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.7	0.5	-18.7	0.0	0.0	0.0
<b>Financial cash flow</b>	<b>13.9</b>	<b>15.6</b>	<b>34.6</b>	<b>-30.0</b>	<b>4.8</b>	<b>1.4</b>
Change in equity	0.0	0.0	0.0	23.8	0.0	0.0
Change in debt	12.6	18.0	43.7	-46.9	8.7	7.7
Dividend	-0.8	-2.0	-5.7	0.0	0.0	-1.9
Other	2.1	-0.3	-3.4	-6.8	-3.9	-4.3
<b>Change in cash</b>	<b>-0.8</b>	<b>2.0</b>	<b>-0.7</b>	<b>0.0</b>	<b>0.3</b>	<b>0.5</b>
<b>Cash as of eop</b>	<b>0.8</b>	<b>2.9</b>	<b>2.0</b>	<b>2.0</b>	<b>2.3</b>	<b>2.8</b>

Source: Company data, IPOPEMA Research

# Contents

Contents .....	3
Valuation.....	4
Relative valuation .....	5
Changes in forecasts.....	6
Risks to fair value.....	6
Financials.....	7

## Valuation

Our valuation approach uses two methods: the discounted cash flow (DCF) and the dividend discount model (DDM). We calculate our Fair Value for Sunex 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. 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 2024-2033 period. We also consistently use a beta of one (1) so as not to distort the WACC and the comparability of our valuations.

Figure 2. DCF Valuation

PLN m	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	Terminal Year
Revenues	200.7	232.6	279.4	320.3	345.8	373.4	403.3	435.7	470.7	508.6	508.6
<b>EBIT</b>	<b>4.6</b>	<b>10.7</b>	<b>25.0</b>	<b>32.0</b>	<b>35.8</b>	<b>42.2</b>	<b>50.4</b>	<b>60.6</b>	<b>71.9</b>	<b>84.2</b>	<b>84.2</b>
Tax on EBIT	1.2	1.1	2.5	3.2	6.8	8.0	9.6	11.5	13.7	16.0	16.0
NOPLAT	3.4	9.7	22.5	28.8	29.0	34.2	40.9	49.1	58.2	68.2	68.2
Depreciation	12.0	8.6	9.7	10.6	11.4	12.2	13.0	13.8	14.6	15.4	15.4
Capital expenditures	-11.8	-22.0	-17.5	-14.9	-16.0	-17.1	-15.8	-15.6	-15.3	-16.1	-16.1
Change in working capital	30.9	-3.3	-18.5	-11.5	-7.3	-7.3	-7.7	-8.0	-8.6	-9.3	-9.3
<b>Free cash flow</b>	<b>34.6</b>	<b>-7.0</b>	<b>-3.8</b>	<b>13.0</b>	<b>17.1</b>	<b>21.9</b>	<b>30.5</b>	<b>39.3</b>	<b>48.9</b>	<b>58.2</b>	<b>58.2</b>
Risk-free rate	5.75%	5.89%	5.98%	6.05%	6.11%	6.11%	6.40%	6.40%	6.40%	6.40%	6.40%
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	11.25%	11.39%	11.48%	11.55%	11.61%	11.61%	11.90%	11.90%	11.90%	11.90%	11.90%
Cost of debt (pre-tax)	8.3%	8.4%	8.5%	8.6%	8.6%	8.6%	8.9%	8.9%	8.9%	8.9%	8.9%
Effective tax rate	27.3%	18.8%	7.7%	25.6%	10.0%	10.0%	10.0%	19.0%	19.0%	19.0%	19.0%
After-tax cost of debt	6.0%	6.8%	7.8%	6.4%	7.7%	7.7%	8.0%	7.2%	7.2%	7.2%	7.2%
Weight of debt	19.4%	19.6%	19.3%	16.8%	15.7%	14.4%	13.3%	12.6%	12.3%	12.3%	12.3%
Weight of equity	80.6%	80.4%	80.7%	83.2%	84.3%	85.6%	86.7%	87.4%	87.7%	87.7%	87.7%
<b>WACC</b>	<b>10.2%</b>	<b>10.5%</b>	<b>10.8%</b>	<b>10.7%</b>	<b>11.0%</b>	<b>11.1%</b>	<b>11.4%</b>	<b>11.3%</b>	<b>11.3%</b>	<b>11.3%</b>	<b>11.3%</b>
Discount fact	0.91	0.82	0.74	0.67	0.60	0.54	0.49	0.44	0.39	0.35	0.32
PV of FCF	31.3	-5.7	-2.8	8.7	10.3	11.9	14.9	17.2	19.2	20.6	18.5
Sum of FCF PV's	125.6										
FCF terminal growth rate	2.0%										
Terminal value	637.0										
PV of terminal value	202.3										
Unwind of discount	16.0										
Enterprise value	343.9										
Net debt 2023	108.7										
Employees liabilities	-4.4										
Dividend paid out in 2024 (ytd terms)	0.0										
Share issue	23.8										
Subsidy from NCBiR	15.2										
<b>Equity value - mid range</b>	<b>269.77</b>										
<b>Per share value (PLN)</b>	<b>12.10</b>										

Source: Company, IPOPEMA Research

Figure 3. DDM Valuation

PLNm	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	Terminal Year
Dividends	0.0	0.0	1.9	5.7	12.7	13.1	24.6	30.0	36.7	44.4	44.4
Discount rate	11.3%	11.4%	11.5%	11.6%	11.6%	11.6%	11.9%	11.9%	11.9%	11.9%	11.9%
Discount factor	0.90	0.81	0.72	0.65	0.58	0.52	0.47	0.42	0.37	0.33	0.30
Discounted dividend	0.0	0.0	1.4	3.7	7.4	6.8	11.4	12.5	13.7	14.8	13.2
Sum of DD PV's	71.6										
DIV terminal growth rate	2.0%										
Terminal value	457.6										
PV of terminal value	135.9										
Discount unwind	15.5										
Equity value	223.0										
<b>Per share value (PLN)</b>	<b>10.00</b>										

Source: Company, IPOPEMA Research

## Relative valuation

There is no listed heat pumps producers however there is ML System, a PV producer which we include in the table below. Sweden is one of the most developed countries in terms of listed heat pumps/air conditioning solutions country.

Compared to the international peers' median of 2025E EV/EBITDA of 12.8x, Sunex trades almost at a 23% premium.

Figure 4. Relative Valuation

PRICE (LCU)	Ticker	NAME	P/E			EV/EBITDA			EV/SALES		
			2024	2025	2026	2024	2025	2026	2024	2025	2026
333.7	TT	TRANE TECHNOLOGIES PLC	31.7	28.1	24.8	21.9	19.9	18.2	4.1	3.9	3.6
94.4	LEGD.PA	LEGRAND SA	20.1	18.9	17.8	13.6	12.8	12.2	3.2	3.0	2.9
45.5	NIBEB.ST	NIBE INDUSTRIER AB	42.6	24.4	20.9	20.4	13.8	12.3	2.4	2.2	2.0
79.9	SYSR.ST	SYSTEMAIR AB	23.9	20.1	17.7	11.2	10.5	9.6	1.4	1.3	1.3
162.5	BEIJB.ST	BEIJER REF AB	35.8	30.6	27.6	16.8	15.2	14.0	2.1	2.0	1.8
455.4	BEAN.S	BELIMO HOLDING AG	43.1	37.9	34.0	27.9	25.1	22.7	6.1	5.6	5.1
17.4	CRLI.MI	CAREL INDUSTRIES SPA	30.7	24.0	21.1	16.9	13.9	12.5	3.2	2.8	2.6
202.0	MTRS.ST	MUNTERS GROUP AB	28.6	23.7	21.4	16.2	14.5	13.9	2.6	2.4	2.3
451.0	FAN.L	VOLUTION GROUP PLC	16.7	15.9	14.7	11.4	11.0	10.6	2.8	2.7	2.6
53.4	ZEHN.S	ZEHNDER GROUP AG	17.2	13.2	11.4	6.6	5.3	4.7	0.6	0.6	0.6
223.0	NMAN.ST	NEDERMAN HOLDING AB	20.1	15.7	14.1	10.4	9.0	8.6	1.5	1.5	1.4
26.0	LUVE.MI	LU-VE SPA	17.8	15.4	14.1	8.6	7.8	7.3	1.1	1.0	1.0
31.3	METG.S	MEIER TOBLER GROUP AG	12.5	10.5	9.3	7.2	6.5	6.1	0.7	0.6	0.6
198.7	ATCOA.ST	ATLAS COPCO AB	31.6	29.5	27.3	20.2	19.0	17.7	5.4	5.0	4.8
463.4	ALFA.ST	ALFA LAVAL AB	23.7	21.5	20.0	15.1	13.9	13.1	2.9	2.7	2.6
39.5	G1AG.DE	GEA GROUP AG	14.7	13.7	12.5	8.3	7.8	7.4	1.2	1.2	1.1
3.9	ARIS.MI	ARISTON HOLDING NV	9.4	8.0	7.4	2.8	2.6	2.4	0.4	0.3	0.3
12.9	ARBNO.S	ARBONIA AG	316.9	70.8	34.2	20.9	16.1	12.8	2.0	1.8	1.7
41.4	MLSP.WA	ML SYSTEM	124.2	25.0	11.2	11.3	6.8	5.2	2.0	1.3	1.0
		<b>MEDIAN</b>	<b>23.9</b>	<b>21.5</b>	<b>17.8</b>	<b>13.6</b>	<b>12.8</b>	<b>12.2</b>	<b>2.1</b>	<b>2.0</b>	<b>1.8</b>
10.6	SNXP.WA	SUNEX	NaN	36.4	12.4	17.3	15.8	9.0	1.4	1.3	1.1
		Premium/discount to median									
		<b>SUNEX</b>	NaN	69.5%	-30.2%	26.9%	22.7%	-26.0%	-33.4%	-33.1%	-38.5%
		<b>Our valuation</b>									
		<b>SUNEX</b>	NaN	41.73	14.25	19.28	17.53	10.00	1.59	1.46	1.24
		Premium/discount to median									
		<b>SUNEX</b>	NaN	94.3%	-20.1%	41.4%	36.5%	-17.9%	-25.8%	-25.6%	-31.8%

Source: Reuters, IPOPEMA Research

## Changes in forecasts

Figure 5. Changes in forecasts

	2024			2025			2026		
	OLD	NEW	change	OLD	NEW	change	OLD	NEW	change
Revenues	251.1	200.7	-20.1%	262.7	232.6	-11.5%	291.3	279.4	-4.1%
EBIT	10.0	4.6	-53.9%	23.2	10.7	-53.8%	30.1	25.0	-17.1%
EBITDA	22.8	16.6	-27.3%	32.9	19.4	-41.1%	41.0	34.7	-15.4%
Net profit	6.4	-0.4	na	16.5	6.5	-60.8%	22.8	18.9	-17.0%

Source: Company, IPOPEMA Research

### Risks to fair value

#### Demand volatility

Sunex is exposed to the heat pump, PV and solar collector market, which currently is undergoing a slowdown. Subsidies, gas prices and expectations about electricity bills are to a large extent driving demand for the company's products.

#### Unfavourable trend in prices of materials and services

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

#### Potential rise in competition

The company is exposed to competition from both global and local heat pump producers.

#### Workforce

At the moment the economy is slowing down, hence wage pressure is likely to ease slightly; however this could change over time with the resurgence of the economy.

#### Economic slowdown

Estimates for Poland, Germany and Austria suggest lower economic growth rates going forward. As a result, some investments might be suspended, which would raise questions about the level of Sunex's future production. Decreasing EU funds are likely to accentuate the problem.

## Financials

Figure 6. INCOME STATEMENT (PLN m)

	2019	2020	2021	2022	2023	2024E	2025E	2026E
<b>Sales</b>	<b>62.2</b>	<b>84.6</b>	<b>130.5</b>	<b>289.5</b>	<b>315.7</b>	<b>200.7</b>	<b>232.6</b>	<b>279.4</b>
Cost of goods & products sold	-51.1	-67.4	-108.5	-215.8	-222.2	-142.7	-166.6	-188.1
<b>Gross profit</b>	<b>11.1</b>	<b>17.1</b>	<b>22.0</b>	<b>73.7</b>	<b>93.6</b>	<b>58.0</b>	<b>65.9</b>	<b>91.3</b>
SG&A	-6.0	-7.1	-12.3	-26.1	-69.2	-57.1	-59.4	-71.4
Other operating activity	-0.3	0.1	0.5	3.8	6.0	3.7	4.2	5.1
<b>EBIT</b>	<b>4.7</b>	<b>10.1</b>	<b>10.2</b>	<b>51.4</b>	<b>30.4</b>	<b>4.6</b>	<b>10.7</b>	<b>25.0</b>
Net financial activity	-0.3	-1.9	-1.6	-3.3	-4.0	-5.0	-3.6	-3.9
<b>Pre-tax profit</b>	<b>4.4</b>	<b>8.2</b>	<b>8.6</b>	<b>48.0</b>	<b>26.4</b>	<b>-0.5</b>	<b>7.2</b>	<b>21.0</b>
Tax	-1.0	-1.6	-2.3	-9.0	-2.0	0.1	-0.7	-2.1
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income</b>	<b>3.5</b>	<b>6.5</b>	<b>6.2</b>	<b>39.0</b>	<b>24.4</b>	<b>-0.4</b>	<b>6.5</b>	<b>18.9</b>
<b>EBITDA</b>	<b>4.7</b>	<b>12.4</b>	<b>13.8</b>	<b>55.5</b>	<b>38.6</b>	<b>16.6</b>	<b>19.4</b>	<b>34.7</b>

Source: Company, IPOPEMA Research

Figure 7. BALANCE SHEET (PLN m)

	2019	2020	2021	2022	2023	2024E	2025E	2026E
<b>Long-term assets</b>	<b>47.9</b>	<b>52.8</b>	<b>54.9</b>	<b>73.3</b>	<b>140.7</b>	<b>137.9</b>	<b>152.0</b>	<b>160.8</b>
Tangible assets	37.0	42.9	44.8	61.4	101.7	94.6	107.8	115.5
Goodwill	2.4	2.4	2.4	2.4	6.8	6.8	6.8	6.8
Intangible assets	5.3	4.3	3.5	3.7	23.6	30.5	30.6	30.7
Others	3.2	3.2	4.2	5.8	8.6	6.0	6.7	7.8
<b>Current assets</b>	<b>22.2</b>	<b>31.1</b>	<b>61.7</b>	<b>125.8</b>	<b>128.3</b>	<b>85.5</b>	<b>99.5</b>	<b>114.9</b>
Inventories	10.3	12.7	39.4	83.8	85.4	54.7	63.9	72.1
Receivables from construction activities	0.0	0.0	4.2	1.7	7.4	2.7	3.2	3.8
Trade receivables	11.2	16.0	16.5	37.3	33.2	25.8	29.9	36.0
Cash	0.1	1.6	0.8	2.9	2.0	2.0	2.3	2.8
Other	0.7	2.4	1.7	3.1	2.3	2.1	2.5	3.0
<b>Total assets</b>	<b>70.1</b>	<b>83.9</b>	<b>116.6</b>	<b>199.1</b>	<b>269.0</b>	<b>223.3</b>	<b>251.5</b>	<b>275.7</b>
<b>Equity</b>	<b>31.5</b>	<b>37.7</b>	<b>42.8</b>	<b>80.2</b>	<b>98.7</b>	<b>122.1</b>	<b>128.6</b>	<b>145.6</b>
<b>Long-term liabilities</b>	<b>13.2</b>	<b>18.6</b>	<b>22.7</b>	<b>32.8</b>	<b>66.9</b>	<b>56.8</b>	<b>59.3</b>	<b>62.5</b>
Interest bearing	7.1	9.1	11.1	17.0	41.2	41.2	41.2	41.2
Leasing	1.4	3.0	4.4	6.5	9.8	6.2	7.2	8.7
Subsidies	2.5	4.3	4.1	5.7	7.7	4.0	4.7	5.6
Others	2.1	2.2	3.1	3.7	8.3	5.3	6.2	7.0
<b>Short-term liabilities</b>	<b>25.4</b>	<b>27.6</b>	<b>51.1</b>	<b>86.2</b>	<b>103.4</b>	<b>44.5</b>	<b>63.7</b>	<b>67.7</b>
Interest bearing	13.9	12.6	23.1	35.7	57.3	14.8	22.2	28.1
Trade liabilities	8.9	12.0	24.7	39.7	33.3	21.5	32.0	28.3
Provisions	0.9	0.0	0.2	0.8	1.9	1.2	1.4	1.7
Leasing	0.2	0.4	0.8	1.3	2.5	1.6	1.8	2.2
Others	1.4	2.5	2.3	8.6	8.4	5.3	6.2	7.3
<b>Total liabilities &amp; equity</b>	<b>70.1</b>	<b>83.9</b>	<b>116.6</b>	<b>199.1</b>	<b>269.0</b>	<b>223.3</b>	<b>251.5</b>	<b>275.7</b>

Source: Company, IPOPEMA Research

Figure 8. CASH FLOW STATEMENT (PLN m)

	2019	2020	2021	2022	2023	2024E	2025E	2026E
Net profit	3.5	6.5	6.2	39.0	24.4	-0.4	6.5	18.9
Depreciation	0.0	2.3	3.6	4.1	8.1	12.0	8.6	9.7
Change in net working capital	0.0	0.0	-22.6	-49.2	-1.0	30.9	-3.3	-18.5
Other items	-1.8	-3.7	0.0	9.1	-8.1	-0.8	5.7	6.3
<b>Operating cash flow</b>	<b>1.6</b>	<b>5.1</b>	<b>-12.7</b>	<b>2.9</b>	<b>23.4</b>	<b>41.7</b>	<b>17.6</b>	<b>16.5</b>
Purchases of tangibles & intangibles	0.0	-0.1	-2.6	-17.0	-40.0	-11.8	-22.0	-17.5
Others	-12.8	-5.0	0.7	0.5	-18.7	0.0	0.0	0.0
<b>Investing cash flow</b>	<b>-12.8</b>	<b>-5.1</b>	<b>-1.9</b>	<b>-16.5</b>	<b>-58.7</b>	<b>-11.8</b>	<b>-22.0</b>	<b>-17.5</b>
Change in interest-bearing debt	0.0	0.0	12.6	18.0	43.7	-46.9	8.7	7.7
Dividends	0.0	-0.4	-0.8	-2.0	-5.7	0.0	0.0	-1.9
Other	11.3	1.9	2.1	-0.3	-3.4	16.9	-3.9	-4.3
<b>Financing cash flow</b>	<b>11.3</b>	<b>1.5</b>	<b>13.9</b>	<b>15.6</b>	<b>34.6</b>	<b>-30.0</b>	<b>4.8</b>	<b>1.4</b>
<b>Total cash flow</b>	<b>0.1</b>	<b>1.5</b>	<b>-0.8</b>	<b>2.0</b>	<b>-0.7</b>	<b>0.0</b>	<b>0.3</b>	<b>0.5</b>
Cash at beginning of period	0.0	0.1	1.6	0.8	2.9	2.0	2.0	2.3
<b>Cash at end of period</b>	<b>0.1</b>	<b>1.6</b>	<b>0.8</b>	<b>2.9</b>	<b>2.0</b>	<b>2.0</b>	<b>2.3</b>	<b>2.8</b>

Source: Company, IPOPEMA Research



National Court Register maintained by the District Court for the City of Warsaw, XII Commercial Division of the National Court Register under entry number KRS 0000230737, the initial capital and paid capital in the amount of PLN 2.993.783,60, NIP 5272468122, [www.ipopema.pl](http://www.ipopema.pl). IPOPEMA Securities S.A. is supervised by the Polish Financial Supervision Authority (Komisja Nadzoru Finansowego), Piękna 20, 00-549 Warsaw, Poland.

This document was prepared by IPOPEMA Securities S.A. for information purposes only. This document is addressed to IPOPEMA Securities S.A. clients entitled to receive it on the basis of contracts for the provision of services. This document, using mass media distribution channels, may also reach other investors. It has been produced independently of the company mentioned in this document and any forecasts, opinions and expectations are entirely those of IPOPEMA Securities S.A. Unless otherwise specified, the estimates and opinions contained in the document constitute an independent assessment of IPOPEMA Securities S.A. analysts preparing the document as of the date of issuing the document.

IPOPEMA Securities S.A. prepared this document with the preservation of all adequate diligence, thoroughness and reliability on the basis of publicly available information which IPOPEMA Securities S.A. believes to be reliable. The sources of data are primarily: Bloomberg, Reuters, EPFR, Polska Agencja Prasowa, WSE, Główny Urząd Statystyczny, Narodowy Bank Polski, financial press, online financial and economic services. While due diligence has been taken by IPOPEMA Securities S.A. to ensure that the facts stated herein are accurate and that any forecasts, opinions and expectations contained herein are fair and reasonable, IPOPEMA Securities S.A. has not independently verified all the information given in this document. Accordingly, no representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information and opinions contained in this document. The opinions expressed in the document can change without notice and IPOPEMA Securities S.A. is under no obligation to keep these opinion current. None of the IPOPEMA Securities S.A. or any other person accepts any liability whatsoever for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection therewith provided that IPOPEMA Securities S.A. has been exercised due diligence and integrity during its preparation. This document may be sent to the mass media, however its copying or publishing in whole or in part as well as dissemination of information enclosed to it is allowed only with prior permission of IPOPEMA Securities S.A. This document nor any copy hereof is not to be distributed directly or indirectly in the United States, Australia, Canada, Serbia or Japan, subject to the following section.

Important disclosures for U.S. Persons: Auerbach Grayson & Company Inc. may distribute this document in the U.S. This document is provided for distribution to Major U.S. Institutional Investors in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended and may not be furnished to any other person in the U.S. Each Major U.S. Institutional Investor that receives this document shall not distribute or provide it to any other person. Under no circumstances should any U.S. recipient of this document effect any transaction to buy or sell securities or related financial instruments through IPOPEMA Securities S.A. Any U.S. recipient of this document wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this document should do so only through Auerbach Grayson & Company Inc. 25 West 45th Street, Floor 16, New York, NY 10036 U.S. which is a registered broker dealer in the U.S. IPOPEMA Securities S.A. is not a registered broker-dealer in the U.S. and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. IPOPEMA Securities S.A. and its research analysts are not associated persons of Auerbach Grayson & Company, nor are they affiliated with Auerbach Grayson & Company. The author of this document whose name appears in this document is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"), is not subject to the SEC rules on research analysts and is not subject FINRA's rules on debt research analysts and debt research reports, equity research analysts and equity research reports. U.S. recipients should take into account that information on non-U.S. securities or related financial instruments discussed in this document may be limited. The financial instruments of non-U.S. issuers may not be registered with, or be subject to the regulations of, the SEC. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the U.S.

This document does not constitute any offer to sell or induce any offer to buy or sell any financial instruments, cannot be relied on in connection with any contract or liability and does not constitute advertising or promotion of a financial instrument or the company. Investment decisions should only be made on the basis of a prospectus or other publicly available information and materials.

The document was prepared without taking into account the needs and situation of the recipients of the document. When preparing the document, IPOPEMA Securities S.A. does not examine the recipient's investment objectives, risk tolerance level, time horizon and financial standing of the investors. The company or the financial instruments discussed in the document may not be suitable for the users of the document, i.e. it may not be suitable for the specific objectives and time horizon or the financial situation. Information included in the document cannot be regarded as a substitute for obtaining investment advice service. The value of financial instruments may fluctuate, including declines. Changes in FX rates may have an adverse effect on the value of investments. The investment in financial instruments is linked to investment risks including loss of entire or part of the invested capital. Past performance is not necessarily indicative of future results. IPOPEMA Securities S.A. points out that the price of financial instruments is affected by many different factors that are or may be independent of the company and the results of its operations. These include, among others changing economic, legal, political and tax conditions. IPOPEMA Securities S.A. may have issued in the past or may issue other documents in the future, presenting other conclusions, not consistent with those presented herein document. Such documents reflect different assumptions, points of view and analytical methods adopted by the analysts preparing them.

Investors should be aware that IPOPEMA Securities S.A. or its related entities may have a conflict of interest that could affect this document's objectivity. The investor should assume that IPOPEMA Securities S.A. or its related entities may provide services in favour of the company and obtain remuneration on this account. They may also have another financial interest with respect to the company. IPOPEMA Securities S.A. or its related entities may seek to do business with the company or other entities mentioned in this document. IPOPEMA Securities S.A. has an organizational structure and internal regulations in place to ensure that the client's interests are not compromised in the event of a conflict of interests, in relation to preparing this document. Conflict of interest management policy is available on the website at <https://www.ipopemasecurities.pl/analiza-i-rekomendacje.p162>. This document was prepared irrespective and independently of the interests of IPOPEMA Securities S.A., the company that is the subject of this document and holder of financial instrument issued by aforementioned company. IPOPEMA Securities S.A., its shareholders, employees and associates may hold long or short positions in the company's financial instruments or other financial instruments related to the company's financial instruments.

On the order of the Warsaw Stock Exchange S.A. ("WSE"), IPOPEMA Securities S.A. creates analytical materials for the following companies: Marvipol Development S.A., Medicalgorithmics S.A., Miraculum S.A., ML System S.A., Scope Fluidics S.A., Sunex S.A., VIGO Photonics S.A. The WSE has proprietary copyrights to these materials. For the preparation of IPOPEMA Securities S.A. receives remuneration from the WSE. Information on the program is available on the website <https://www.gpw.pl/gpwpa>.

On the order of the Bursa de Valori Bucuresti S.A. ("BVB"), IPOPEMA Securities S.A. creates analytical materials for the following companies: Bittnet Systems S.A., Impact Developer & Contractor S.A., OMV Petrom S.A. and Safetech Innovations S.A. The BVB has proprietary copyrights to these materials. For the preparation of IPOPEMA Securities S.A. receives remuneration from the BVB.

IPOPEMA Securities S.A. uses a number of valuation methodologies including discounted cash flows models (such as discounted operating earnings or dividend discount model), and earnings and cash-flow based models, which are often related to comparisons with selected peer companies. Cash flow models encapsulate the cash streams forecast to flow to a company, and are widely used in the investment industry. Peer comparisons factor in amongst other factors, differential growth rates, and indicate how expensive one company might appear relative to a chosen comparator. The subjective opinions of the report's author or authors, formed by their knowledge and experience, play a significant role in the valuation. Also included are assumptions on numerous economic variables, particularly interest rates, inflation and exchange rates and varying these assumptions could result in significantly different opinions. The strength of the earnings and cash flow based models is the closer attention to a company on a standalone basis, and tying the valuation to its fundamental value. The weakness of such method is the number of assumptions, which need to be adopted and resulting sensitivity to those assumptions. The peer comparisons methods are less dependent on the analyst's judgment as to the individual parameters, however the problem with this method appears when the peer comparator is over- or undervalued. Moreover, leading multiples (based on the future earnings, book values, operating profit or cash flows) include an analyst's estimate of those values.

This document was not transferred to the company prior to its publication. This document was prepared according to the author's own view, assumptions and knowledge.

Recommendations issued by IPOPEMA Securities S.A. they are valid for a period of 12 months from the date of issue, unless they are updated during this period. IPOPEMA Securities S.A. updates the issued recommendations depending on the market situation and subjective analysts' assessment.

This document is an investment research within the meaning of Art. 36 par. 1 of the Commission Delegated Regulation (EU) 2017/565.

List of all recommendations regarding any financial instrument or issuer that have been disseminated within the last 12 months by IPOPEMA Securities S.A. is available on the website at <https://www.ipopemasecurities.pl/analiza-i-rekomendacje.p162>.

The date and the time stated on the front page is the date of the preparation of this document. The price used throughout the recommendation to calculate adequate ratios is the "last" price stated on the front page of this document.

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.

The author of this document has no conflict of interest with the company that is the subject of this document. The point of view expressed in the document reflects the personal opinion of the author of the document on the analyzed company and its financial instruments. Investors should be aware that flexible part of the author's compensation may depend on general financial performance of IPOPEMA Securities S.A.

IPOPEMA Securities S.A. shall act with due diligence, honestly, fairly, professionally and in accordance with the provisions of the applicable law.

IPOPEMA Securities S.A. does not guarantee achieving the investor's investment objective, the performance of company or prospective prices referred to herein.

When applying ratings for companies following criteria are used with regards to the difference between IPOPEMA's FV and company's price at the date of recommendation:

Rating	Difference between FV and price at recommendation
Buy	Above 10%
Hold	In between (and including) -10% and 10%
Sell	Below -10%

#### IPOPEMA Research - Distribution by rating category (1 January – 31 March 2024)

	Number	%
Buy	12	75%
Hold	3	19%
Sell	1	6%
Total	16	100%

#### Rating History – Sunex

Date	Recommendation	Fair Value	Price at recommendation	Author
13/10/2023	HOLD	PLN 12.00	PLN 13.06	Robert Maj
24.05.2024	BUY	PLN 12.37	PLN 10.52	Robert Maj
28.06.2024	HOLD	PLN 11.05	PLN 10.56	Robert Maj