

# Sunex

## Weak 1Q24 already priced-in

Despite expectations for a weak 1Q24 print next week, we believe this has already been priced-in and we upgrade Sunex from HOLD to BUY. The firm's 4Q23 results came in below our expectations, as the macroeconomic slowdown on the German and Austrian markets became apparent in 3Q23. This effect, however, is likely to abate soon, as a new financing scheme for heat pumps was introduced on the Austrian market in January 2024. A total of EUR 2bn has been earmarked for the financing of heat pumps and renewables in 2024, although this could drag into 2025 if not fully utilized in the current year. Sunex wants to boost its presence on the German and Austrian markets via M&A after its first successful, larger M&A in 1Q23 (i.e. the Bad Kroatk acquisition in Austria). The latter allowed Sunex to establish a presence on the Austrian market. In 2023, 30% of the firm's sales already came from Austria versus almost zero in 2022. In Poland, meanwhile, the government plans to introduce heat pump solutions by approved producers: this is likely to tighten the market and tame the expansion of Asian products in Poland. Overall, we expect Sunex to post EBITDA of PLN 22.8m in 2024E (down 31.8% from our previous estimate), PLN 32.9m in 2025E (down 17.5% from our previous estimate) and PLN 41.0m in 2026E (down 8.3% versus our previous forecast). We expect the upward trajectory to be driven by macroeconomic growth, with a pick-up arriving as early as 2H24. We also add PLN 15m in subsidies, which we believe Sunex will ultimately obtain from Polish state bodies for the company's investment programme. This, as well as growing sales in future years along with lower risk-free rates, has pushed our valuation up slightly, by 3.0% from PLN 12.00 to PLN 12.37 per share. We raise our recommendation from HOLD to BUY.

**4Q23 results overview:** Sales in 4Q23 arrived at PLN 45.7m (down 42.6% y/y and 43.9% q/q), which was lower than the company's preliminary expectations of PLN 51.2m. EBITDA came in at PLN 3.1m (down 80.7% y/y and 63.1% q/q), while the bottom line was PLN 2.7m (down 76.7% y/y).

**1Q24 results preview:** Sunex posted revenues at PLN 37.1m (down 63.1% y/y and 18.7% q/q) for 1Q24. We believe this extremely low level of sales will bring the bottom line to a loss of PLN 6m in 1Q24, compared to profit of PLN 9.7m in 1Q23. EBITDA is likely to come in at PLN -3.7m for 1Q24. The company publishes its 1Q24 results on 28 May 2024.

**Share issue later this year:** At the recent ABB, Mr Romuald Kalyciok obtained PLN 24m from the sale of shares. According to the announcement, the firm's main owner will ultimately acquire shares in the new issue of Sunex. Proceeds obtained from the new share issue will be used to support Sunex's development through M&A and development of production capabilities at Racibórz.

Figure 1. Sunex financials (PLN m)

	2021	2022	2023	2024E	2025E	2026E
Revenue	130.5	289.5	315.7	251.1	262.7	291.3
EBIT	10.2	51.4	30.4	10.0	23.2	30.1
EBITDA	13.8	55.5	38.6	22.8	32.9	41.0
Net profit	6.2	39.0	24.4	6.4	16.5	22.8
P/E (x)	34.3	5.5	8.8	35.1	14.2	10.3
EV/EBITDA (x)	18.3	4.9	8.4	13.7	9.9	7.8

Source: Company, IPOPEMA Research

Technology

## Sunex

BUY

FV PLN 12.37

17.6% upside

Price as of 23 May 2024 PLN 10.52

Recommendation upgraded



### Share data

Number of shares (m)	20.3
Market cap (EUR m)	50.1
12M avg daily volume (k)	34.0
12M avg daily turnover (EUR m)	0.1
12M high/low (PLN)	27.2/9.44
WIG weight (%)	0.02
Reuters	SNXP.WA
Bloomberg	SNX.PW

### Total performance

1M	-6.9%
3M	-16.5%
12M	-59.8%

### Shareholders

Polska Ekologia	48.16%
Romuald Kalyciok	17.26%
Others	34.58%

### Analyst

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**SUNEX****SNX PW**

Mkt Cap EUR 50.1m

**BUY FV 12.37**

17.6% upside

Valuation multiples	2021	2022	2023	2024E	2025E
P/E (x)	34.3	5.5	8.8	35.1	14.2
EV/EBITDA (x)	18.3	4.9	8.4	13.7	9.9
EV/Sales (x)	1.93	0.94	1.02	1.24	1.23
P/BV (x)	4.99	2.66	2.16	1.79	1.67
FCF yield (%)	-7%	-6%	2%	2%	5%
DY (%)	0%	1%	3%	2%	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	0.30	0.74
BVPS (PLN)	2.11	3.95	4.86	5.88	6.31
FCFPS (PLN)	-0.72	-0.67	0.25	0.19	0.48
DPS (PLN)	0.04	0.10	0.28	0.16	0.04

Change y/y (%)	2021	2022	2023	2024E	2025E
Revenues	54.4%	121.8%	9.1%	-20.5%	4.6%
EBITDA	11.5%	302.2%	-30.5%	-40.9%	44.3%
EBIT	0.7%	404.6%	-41%	-67%	132%
Pre-tax	4.4%	460.9%	-45.0%	-70.1%	132.3%
Net profit	-4.9%	526.5%	-37.5%	-73.8%	158.2%

Leverage and return	2021	2022	2023	2024E	2025E
Gross margin (%)	16.8%	25.4%	29.6%	17.8%	21.9%
EBITDA margin (%)	10.6%	19.2%	12.2%	9.1%	12.5%
EBIT margin (%)	7.8%	17.7%	9.6%	4.0%	8.8%
Net margin (%)	4.8%	13.5%	7.7%	2.5%	6.3%
Net debt / EBITDA (x)	2.80	1.04	2.82	3.89	2.73
Net debt / Equity (x)	0.90	0.72	1.10	0.71	0.64
Leverage Ratio (x)	0.33	0.26	0.30	0.33	0.31
ROE (%)	15.5%	63.4%	27.2%	5.7%	12.4%
ROA (%)	46.2%	243.3%	91.1%	17.1%	39.6%
ROIC (%)	7.6%	28.3%	11.7%	3.0%	7.2%

Assumptions	2021	2022	2023	2024E	2025E
<b>Revenues</b>	<b>130.5</b>	<b>289.5</b>	<b>315.7</b>	<b>248.9</b>	<b>262.7</b>
Poland	52.8	88.5	49.9	43.7	49.5
Germany	70.6	177.9	156.2	120.4	125.2
Austria	0.0	0.0	99.8	77.0	80.0
Poland	40%	31%	16%	18%	19%
Germany	54%	61%	49%	48%	50%
Austria	0%	0%	32%	31%	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>251.1</b>	<b>262.7</b>	<b>291.3</b>
Costs	-108.5	-215.8	-222.2	-206.5	-205.2	-223.1
<b>Gross profit</b>	<b>22.0</b>	<b>73.7</b>	<b>93.6</b>	<b>44.6</b>	<b>57.6</b>	<b>68.2</b>
Sales costs	-8.5	-18.6	-46.3	-20.0	-20.9	-23.2
Administration costs	-3.8	-7.6	-22.9	-20.0	-19.0	-21.1
Other revenues	3.3	6.2	7.8	6.0	6.3	7.0
Other costs	-2.8	-2.3	-1.8	-0.6	-0.6	-0.7
<b>EBIT</b>	<b>10.2</b>	<b>51.4</b>	<b>30.4</b>	<b>10.0</b>	<b>23.2</b>	<b>30.1</b>
Financial gains	0.1	0.3	2.0	2.0	0.4	0.4
Financial costs	-1.7	-3.6	-6.0	-4.0	-5.3	-5.2
<b>EBITDA</b>	<b>13.8</b>	<b>55.5</b>	<b>38.6</b>	<b>22.8</b>	<b>32.9</b>	<b>41.0</b>
Financial income (cost) net	-1.6	-3.3	-4.0	-2.0	-4.9	-4.8
Pre-tax	8.6	48.0	26.4	7.9	18.3	25.3
Tax	-2.3	-9.0	-2.0	-1.5	-1.8	-2.5
<b>Net profit</b>	<b>6.2</b>	<b>39.0</b>	<b>24.4</b>	<b>6.4</b>	<b>16.5</b>	<b>22.8</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>158.4</b>	<b>174.1</b>	<b>183.6</b>
Intangible assets	3.5	3.7	23.6	30.5	30.6	30.7
PP&E	44.8	61.4	101.7	114.0	129.2	138.0
Receivables and others	6.6	8.2	15.4	13.9	14.2	14.9
<b>Current assets</b>	<b>61.7</b>	<b>125.8</b>	<b>128.3</b>	<b>117.7</b>	<b>118.9</b>	<b>130.2</b>
Inventories	39.4	83.8	85.4	79.2	78.7	85.6
Trade receivables	16.5	37.3	33.2	32.3	33.8	37.5
Cash and equivalents	0.8	2.9	2.0	2.5	2.6	2.9
Other current assets	5.0	1.9	7.6	3.6	3.8	4.2
<b>Total assets</b>	<b>116.6</b>	<b>199.1</b>	<b>269.0</b>	<b>276.1</b>	<b>293.0</b>	<b>313.8</b>
<b>Equity</b>	<b>42.8</b>	<b>80.2</b>	<b>98.7</b>	<b>125.2</b>	<b>140.7</b>	<b>158.6</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>61.7</b>	<b>62.2</b>	<b>64.4</b>
Loans and leasing	15.5	23.4	51.0	49.0	49.3	50.2
Other non-current liabilities	7.2	9.4	16.0	12.7	12.9	14.1
<b>Current liabilities</b>	<b>51.1</b>	<b>86.2</b>	<b>103.4</b>	<b>89.2</b>	<b>90.1</b>	<b>90.9</b>
Trade payables	24.7	39.7	33.3	38.5	38.2	41.6
Loans and leasing	23.9	37.0	59.8	42.2	43.0	39.6
Other current liabilities	2.5	9.4	10.3	8.6	8.8	9.7
<b>Equity &amp; liabilities</b>	<b>116.6</b>	<b>199.1</b>	<b>269.0</b>	<b>276.1</b>	<b>293.0</b>	<b>313.8</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>88.6</b>	<b>89.7</b>	<b>86.9</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>36.0</b>	<b>30.2</b>	<b>32.8</b>
Net income	6.2	39.0	24.4	6.4	16.5	22.8
D&A	3.6	4.1	8.1	12.8	9.7	10.9
Change in WC	-22.6	-49.2	-1.0	16.3	-1.4	-7.6
Other	0.0	9.1	-8.1	0.5	5.5	6.7
<b>Investment cash flow</b>	<b>-1.9</b>	<b>-16.5</b>	<b>-58.7</b>	<b>-32.0</b>	<b>-25.0</b>	<b>-19.8</b>
CAPEX	-2.6	-17.0	-40.0	-32.0	-25.0	-19.8
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>-3.5</b>	<b>-5.1</b>	<b>-12.7</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	-19.6	1.2	-2.5
Dividend	-0.8	-2.0	-5.7	-3.7	-1.0	-4.9
Other	2.1	-0.3	-3.4	-4.0	-5.3	-5.2
<b>Change in cash</b>	<b>-0.8</b>	<b>2.0</b>	<b>-0.7</b>	<b>0.5</b>	<b>0.1</b>	<b>0.3</b>
<b>Cash as of eop</b>	<b>0.8</b>	<b>2.9</b>	<b>2.0</b>	<b>2.5</b>	<b>2.6</b>	<b>2.9</b>

Source: Company data, IPOPEMA Research

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## 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. Payout levels are determined by corporate policy in the short term (10%) and then drift towards a target payout ratio of 50% 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 1%.

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 5.0% equity risk premium each year. The 12-month forward interest rates were derived from the yield curve of the 2021-2028 period. Thereafter, we use a flat 4.5% rate, which represents our estimate of a through-the-cycle interest rate for Emerging Europe. 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	315.7	251.1	262.7	291.3	313.5	337.5	363.3	391.2	421.2	453.7	453.7
<b>EBIT</b>	<b>10.0</b>	<b>23.2</b>	<b>30.1</b>	<b>34.6</b>	<b>40.8</b>	<b>47.6</b>	<b>55.0</b>	<b>64.3</b>	<b>75.6</b>	<b>86.9</b>	<b>86.9</b>
Tax on EBIT	1.9	2.3	3.0	3.5	7.7	9.0	10.4	12.2	14.4	16.5	16.5
NOPLAT	8.1	20.9	27.1	31.1	33.0	38.5	44.5	52.1	61.2	70.4	70.4
Depreciation	12.8	9.7	10.9	11.9	12.7	13.6	14.6	15.5	16.4	17.2	17.2
Capital expenditures	-32.0	-25.0	-19.8	-16.8	-18.1	-19.3	-17.7	-17.5	-17.2	-18.1	-18.1
Change in working capital	16.3	-1.4	-7.6	-6.1	-6.3	-6.8	-7.3	-7.6	-8.0	-8.8	-8.8
<b>Free cash flow</b>	<b>5.2</b>	<b>4.1</b>	<b>10.6</b>	<b>20.1</b>	<b>21.4</b>	<b>26.0</b>	<b>34.1</b>	<b>42.4</b>	<b>52.4</b>	<b>60.7</b>	<b>60.7</b>
Risk-free rate	5.66%	5.78%	5.84%	5.91%	5.96%	5.95%	5.99%	5.99%	5.99%	5.99%	5.99%
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	11.16%	11.28%	11.34%	11.41%	11.46%	11.45%	11.49%	11.49%	11.49%	11.49%	11.49%
Cost of debt (pre-tax)	8.2%	8.3%	8.3%	8.4%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Effective tax rate	27.3%	18.8%	7.7%	19.0%	10.0%	10.0%	10.0%	19.0%	19.0%	19.0%	19.0%
After-tax cost of debt	5.9%	6.7%	7.7%	6.8%	7.6%	7.6%	7.6%	6.9%	6.9%	6.9%	6.9%
Weight of debt	23.2%	21.6%	19.4%	16.1%	14.6%	13.1%	12.0%	11.3%	10.8%	10.8%	10.8%
Weight of equity	76.8%	78.4%	80.6%	83.9%	85.4%	86.9%	88.0%	88.7%	89.2%	89.2%	89.2%
<b>WACC</b>	<b>9.9%</b>	<b>10.3%</b>	<b>10.6%</b>	<b>10.7%</b>	<b>10.9%</b>	<b>11.0%</b>	<b>11.0%</b>	<b>11.0%</b>	<b>11.0%</b>	<b>11.0%</b>	<b>11.0%</b>
Discount fact	0.91	0.82	0.75	0.67	0.61	0.55	0.49	0.44	0.40	0.36	0.32
PV of FCF	4.7	3.4	7.9	13.5	13.0	14.3	16.8	18.9	21.0	21.9	19.7
Sum of FCF PV's	135.4										
FCF terminal growth rate											2.0%
Terminal value											688.6
PV of terminal value											223.7
Unwind of discount											13.6
Enterprise value											372.6
Net debt 2023											108.7
Employees liabilities											-4.4
Dividend paid out in 2024 (ytd terms)											0.0
Share issue											23.8
<b>Equity value - mid range</b>	<b>298.33</b>										
<b>Per share value (PLN)</b>	<b>13.38</b>										

Source: Company, IPOPEMA Research

Figure 3. DDM Valuation

PLNm	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	Terminal Year
Dividends	3.7	1.0	4.9	6.8	13.6	15.0	27.8	32.8	39.0	46.7	46.7
Discount rate	11.2%	11.3%	11.3%	11.4%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%
Discount factor	0.90	0.81	0.73	0.65	0.58	0.52	0.47	0.42	0.38	0.34	0.30
Discounted dividend	3.3	0.8	3.6	4.5	8.0	7.9	13.1	13.8	14.8	15.8	14.2
Sum of DD PV's	85.5										
DIV terminal growth rate	2.0%										
Terminal value	501.4										
PV of terminal value	152.7										
Discount unwind	15.0										
Equity value	253.1										
<b>Per share value (PLN)</b>	<b>11.36</b>										

Source: Company, IPOPEMA Research

Figure 4. Valuation Summary

PLN	
DCF	13.38
DDM	11.36
<b>Average</b>	<b>12.37</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 14.0x, Sunex trades almost at a 30% discount.

Figure 5. Relative Valuation

PRICE	Ticker	NAME	P/E	EV/EBITDA			EV/SALES				
(LCU)			2024	2025	2026	2024	2025	2026	2024	2025	2026
333.5	TT	TRANE TECHNOLOGIES PLC	31.7	28.3	25.4	21.9	20.0	18.5	4.1	3.9	3.7
103.6	LEGD.PA	LEGRAND SA	22.2	20.7	19.6	15.0	14.1	13.3	3.5	3.3	3.1
54.2	NIBEB.ST	NIBE INDUSTRIER AB	60.9	27.8	23.1	22.0	14.9	13.0	2.7	2.4	2.3
80.0	SYSR.ST	SYSTEMAIR AB	24.5	19.5	17.3	12.3	10.5	9.7	1.4	1.4	1.3
169.5	BEIJB.ST	BEIJER REF AB	37.0	31.5	28.3	17.5	15.9	14.5	2.2	2.0	1.9
441.8	BEAN.S	BELIMO HOLDING AG	41.8	36.8	33.1	27.1	24.3	22.1	5.9	5.4	5.0
17.6	CRLI.MI	CAREL INDUSTRIES SPA	31.0	24.3	21.4	17.1	14.0	12.6	3.2	2.9	2.6
233.2	MTRS.ST	MUNTERS GROUP AB	32.8	27.0	24.3	18.4	16.3	15.6	3.0	2.7	2.6
28.6	UPONOR.HE	UPONOR OYJ	NaN	NaN	NaN	NULL	NULL	NULL	NULL	NULL	NULL
451.0	FAN.L	VOLUTION GROUP PLC	17.0	16.2	15.0	11.4	11.0	10.6	2.8	2.7	2.6
61.3	ZEHN.S	ZEHNDER GROUP AG	19.0	14.8	12.8	7.4	6.0	5.5	0.7	0.7	0.7
226.0	NMAN.ST	NEDERMAN HOLDING AB	20.0	16.9	15.1	10.4	9.5	9.1	1.5	1.4	1.4
24.0	LUVE.MI	LU-VE SPA	16.3	14.2	13.2	8.0	7.3	6.8	1.1	1.0	0.9
31.8	METG.S	MEIER TOBLER GROUP AG	12.7	10.6	9.4	7.3	6.6	6.2	0.7	0.7	0.6
205.5	ATCOA.ST	ATLAS COPCO AB	32.5	30.2	27.9	20.6	19.4	18.0	5.5	5.2	4.9
492.9	ALFA.ST	ALFA LAVAL AB	25.3	22.7	21.3	15.9	14.6	14.0	3.1	2.9	2.8
37.8	G1AG.DE	GEA GROUP AG	14.2	13.2	12.1	7.9	7.5	7.3	1.2	1.1	1.1
4.8	ARIS.MI	ARISTON HOLDING NV	10.8	9.5	8.7	3.1	2.9	2.7	0.4	0.4	0.4
12.7	ARBNO.S	ARBONIA AG	NaN	64.5	36.8	20.0	15.2	15.7	1.5	1.4	1.5
49.9	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>24.9</b>	<b>22.7</b>	<b>19.6</b>	<b>15.0</b>	<b>14.0</b>	<b>12.6</b>	<b>2.2</b>	<b>2.0</b>	<b>1.9</b>
10.5	SNXP.WA	SUNEX	35.1	14.2	10.3	13.7	9.9	7.8	1.2	1.2	1.1
		Premium/discount to median									
		<b>SUNEX</b>	40.9%	-37.4%	-47.4%	-8.3%	-29.8%	-38.1%	-44.3%	-39.7%	-41.5%
		<b>Our valuation</b>									
		<b>SUNEX</b>	46.74	18.11	13.09	16.97	11.80	9.39	1.54	1.48	1.32
		Premium/discount to median									
		<b>SUNEX</b>	87.7%	-20.4%	-33.1%	13.5%	-16.0%	-25.8%	-31.0%	-27.9%	-29.9%

Source: Reuters, 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.

### Judicial reform in Poland

Reform of the judicial system in Poland was executed in a controversial manner and in many ways has worked against the country's existing constitution. This has drawn the attention of the EU Commission, which has threatened to withhold EU proceeds arriving in the form of cheap loans and subsidies. If this stalemate between the Polish government and the EU persists, we could see a negative influence on the funding of many construction projects beyond 2023; this would hamper Sunex's ability to grow its revenues on the domestic market.

## Changes in forecasts

Figure 6. Changes in forecasts

	2024			2025			2026		
	OLD	NEW	change	OLD	NEW	change	OLD	NEW	change
Revenues	316.8	251.1	-20.7%	339.6	262.7	-22.6%	363.6	291.3	-19.9%
EBIT	27.5	10.0	-63.6%	32.0	23.2	-27.3%	35.8	30.1	-15.7%
EBITDA	33.5	22.8	-31.8%	39.9	32.9	-17.5%	44.8	41.0	-8.3%
Net profit	20.9	6.4	-69.4%	24.8	16.5	-33.7%	28.6	22.8	-20.4%

Source: Company, IPOPEMA Research

## Financials

Figure 7. 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>251.1</b>	<b>262.7</b>	<b>291.3</b>
Cost of goods & products sold	-51.1	-67.4	-108.5	-215.8	-222.2	-206.5	-205.2	-223.1
<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>44.6</b>	<b>57.6</b>	<b>68.2</b>
SG&A	-6.0	-7.1	-12.3	-26.1	-69.2	-40.0	-40.0	-44.3
Other operating activity	-0.3	0.1	0.5	3.8	6.0	5.4	5.7	6.3
<b>EBIT</b>	<b>4.7</b>	<b>10.1</b>	<b>10.2</b>	<b>51.4</b>	<b>30.4</b>	<b>10.0</b>	<b>23.2</b>	<b>30.1</b>
Net financial activity	-0.3	-1.9	-1.6	-3.3	-4.0	-2.0	-4.9	-4.8
<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>7.9</b>	<b>18.3</b>	<b>25.3</b>
Tax	-1.0	-1.6	-2.3	-9.0	-2.0	-1.5	-1.8	-2.5
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>6.4</b>	<b>16.5</b>	<b>22.8</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>22.8</b>	<b>32.9</b>	<b>41.0</b>

Source: Company, IPOPEMA Research

Figure 8. 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>158.4</b>	<b>174.1</b>	<b>183.6</b>
Tangible assets	37.0	42.9	44.8	61.4	101.7	114.0	129.2	138.0
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	7.1	7.4	8.0
<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>117.7</b>	<b>118.9</b>	<b>130.2</b>
Inventories	10.3	12.7	39.4	83.8	85.4	79.2	78.7	85.6
Receivables from construction activities	0.0	0.0	4.2	1.7	7.4	3.4	3.6	4.0
Trade receivables	11.2	16.0	16.5	37.3	33.2	32.3	33.8	37.5
Cash	0.1	1.6	0.8	2.9	2.0	2.5	2.6	2.9
Other	0.7	2.4	1.7	3.1	2.3	2.7	2.8	3.1
<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>276.1</b>	<b>293.0</b>	<b>313.8</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>125.2</b>	<b>140.7</b>	<b>158.6</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>61.7</b>	<b>62.2</b>	<b>64.4</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	7.8	8.1	9.0
Subsidies	2.5	4.3	4.1	5.7	7.7	5.0	5.3	5.8
Others	2.1	2.2	3.1	3.7	8.3	7.7	7.6	8.3
<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>89.2</b>	<b>90.1</b>	<b>90.9</b>
Interest bearing	13.9	12.6	23.1	35.7	57.3	40.2	40.9	37.3
Trade liabilities	8.9	12.0	24.7	39.7	33.3	38.5	38.2	41.6
Provisions	0.9	0.0	0.2	0.8	1.9	1.5	1.6	1.8
Leasing	0.2	0.4	0.8	1.3	2.5	2.0	2.1	2.3
Others	1.4	2.5	2.3	8.6	8.4	7.0	7.2	7.9
<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>276.1</b>	<b>293.0</b>	<b>313.8</b>

Source: Company, IPOPEMA Research

Figure 9. 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	6.4	16.5	22.8
Depreciation	0.0	2.3	3.6	4.1	8.1	12.8	9.7	10.9
Change in net working capital	0.0	0.0	-22.6	-49.2	-1.0	16.3	-1.4	-7.6
Other items	-1.8	-3.7	0.0	9.1	-8.1	-3.5	0.2	1.5
<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>32.0</b>	<b>24.9</b>	<b>27.6</b>
Purchases of tangibles & intangibles	0.0	-0.1	-2.6	-17.0	-40.0	-32.0	-25.0	-19.8
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>-32.0</b>	<b>-25.0</b>	<b>-19.8</b>
Change in interest-bearing debt	0.0	0.0	12.6	18.0	43.7	-19.6	1.2	-2.5
Dividends	0.0	-0.4	-0.8	-2.0	-5.7	-3.7	-1.0	-4.9
Other	11.3	1.9	2.1	-0.3	-3.4	23.8	0.0	0.0
<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>0.5</b>	<b>0.2</b>	<b>-7.5</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>0.5</b>	<b>0.1</b>	<b>0.3</b>
Cash at beginning of period	0.0	0.1	1.6	0.8	2.9	2.0	2.5	2.6
<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>2.5</b>	<b>2.6</b>	<b>2.9</b>

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.

DP – 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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Date	Recommendation	Fair Value	Price at recommendation	Author
13/10/2023	HOLD	PLN 12.00	PLN 13.06	Robert Maj
24.05.2024	BUY	PLN12.37	PLN 10.52	Robert Maj