

Novavis Group S.A.



Price target: PLN 4

Update

Rating: BUY

After underperforming in full-year 2023 between 6.6%-18.3% compared to our estimates, Novavis Group S.A. (NVG) also disappointed in Q1/24. While revenues declined by 40.6%, EBITDA, EBIT and net income more than halved compared to Jan-Mar 2023. Like the whole PV industry in Poland, the company currently has issues with obtaining the terms & conditions for grid connection, the main reason being the limited capacity of energy grids. Apart from that, the long-term investment case remains intact. Poland, on which NVG focuses, is the one of the most promising renewable energy markets in Europe as it is still heavily dependent on fossil fuels, but has to comply with the EU Green Deal. Based on the Q1/24 report, we have lowered our estimates for 2024E and the following years. Despite a higher peer-group-based fair value of PLN 4.73 (previously: PLN 3.36), our 12-months PT (80% DCF, 20% peer group) declines from PLN 4.30 before to PLN 4. Our BUY rating for the stock remains unchanged. Apart from issues with obtaining terms & conditions for connection to the energy grid & building permits, the main risks, which we see, are the dependence on partner Iberdrola, which can terminate the agreement anytime for its part of the PV project portfolio, and changes of regulations.

In 2023, Novavis Group generated a ROCE of 49.7% and in Q1/24 net cash increased q-o-q despite weak results. In Jan-Mar 2024, the company's revenues decreased by 40.6% y-o-y to PLN 2.9m and its net income by 55.8% to PLN 1.6m. Consequently, operating (PLN 896k vs. PLN 1.7m in Q1/23) and free cash flow (PLN 931k vs. PLN 1.7m) also declined. At the end of March 2024, NVG's net cash equalled PLN 2.9m (31/12/2023: PLN 1.9m).

According to latest data, still 63% of energy in Poland stems from coal. At the same time, with 17.2 GW the installed capacity of PV plants remains far below the 87.6 GW of the European leader Germany (in the EU-27, in total >260 GW are currently installed). In order to reach zero emissions by 2050E Poland will have to invest heavily in clean energy. Out of the PLN 268bn, which the country will likely receive this year from the EU Resilience and Reconstruction Fund, c. PLN 125bn is supposed to be invested in climate projects.

in PLNm	2022	2023	2024E	2025E	2026E	2027E
Net sales	9.45	10.58	10.97	66.23	74.34	45.15
EBITDA	4.70	6.51	6.31	33.12	33.45	18.06
EBIT	4.65	6.46	6.24	33.03	33.34	17.93
Net income	2.86	5.06	5.18	26.62	26.77	14.18
EPS	0.08	0.14	0.15	0.76	0.76	0.41
DPS	0.00	0.06	0.07	0.38	0.38	0.20
Dividend yield	0.00%	2.90%	3.57%	18.36%	18.47%	9.78%
RoE	119.63%	85.27%	52.69%	113.86%	63.55%	28.80%
Net gearing	-50.01%	-23.25%	-14.94%	-78.85%	-70.46%	-41.38%
EV/Sales	7.37x	6.58x	6.34x	1.05x	0.94x	1.54x
EV/EBITDA	14.82x	10.70x	11.03x	2.10x	2.08x	3.85x
P/E	25.4x	14.3x	14.0x	2.7x	2.7x	5.1x

Company profile

Novavis Group is developer of photovoltaic projects in Poland.

Date of publication	31 May 2024 / 6:30 am
Website	www.novavisgroup.pl
Sector	Renewable Energy
Country	Poland
ISIN	PLNFI0500012
Reuters	NVG.WA
Bloomberg	NVG.PW

Share information

Last price	2.07
Number of shares (m)	35.02
Market cap. (PLNm)	72.48
Market cap. (EURm)	16.90
52-weeks range	PLN 2.92 / PLN 1.54
Average volume (shares)	50,655

Performance

4-weeks	-0.48%
13-weeks	-17.20%
26-weeks	-1.43%
52-weeks	25.08%
YTD	0.00%

Shareholder structure

Marshall Nordic Ltd.*	47.16%
Rubicon Partners Ventures ASI Sp. z.o.o	10.00%
Pawel Krzyształowicz**	7.54%
Free float	35.30%

* belongs to Marek Stachura, the CEO of Novavis' subsidiaries
Voolt and Novavis Storage

** Member of the Management Board of Novavis Group

Financial calendar

Q2/24 report September 27, 2024

Analyst

Adrian Kowolik
a.kowolik@eastvalueresearch.com

Mateusz Pudlo
m.pudlo@eastvalueresearch.com

Q1/24 results

Revenues and profitability

In Q1/24, Novavis generated revenues from milestone payments from Iberdrola in the amount of PLN 2.89m (-40.6% y-o-y). All of the revenues stemmed from the progress of PV farm no. 13, with a total capacity of 73.3 MW. In Jan-Mar 2024, the company's profitability decreased by more than half due to a lower revenue base, with EBIT reaching a value of PLN 1.84m (-51.9% y-o-y) and net profit PLN 1.57m (-55.8%). The level of costs remained consistent with the previous year, with Q1/24 expenses amounting to PLN 1.05m (+2% y-o-y). Regarding the cost structure, the most significant change was the increase in salaries, which equalled PLN 0.3m (+50% y-o-y).

in PLNm	Q1/24	Q1/23	change y-o-y
Net sales	2.89	4.87	-40.6%
EBITDA	1.85	3.85	-51.8%
<i>EBITDA margin</i>	<i>64.1%</i>	<i>79.1%</i>	
EBIT	1.84	3.83	-51.9%
<i>EBIT margin</i>	<i>63.7%</i>	<i>78.8%</i>	
Net income	1.57	3.55	-55.8%
<i>Net margin</i>	<i>54.2%</i>	<i>72.9%</i>	

Source: Novavis Group S.A., East Value Research GmbH

Balance sheet and Cash flow

At the end of Q1/24, Novavis had equity of PLN 9.8m (ratio of 27.7% vs 26.5% in Q1/23). Novavis's largest position on the balance sheet was the value of building contracts for photovoltaic farms, which stood at PLN 24.8m (Q1/23: PLN 14.8m). The majority of these contracts are with one of the world's largest renewable energy developers, Spanish Iberdrola. Other significant balance sheet items included short-term liabilities of PLN 23.2m (+52.1% y-o-y), mainly consisting of advance payments from investors, and current receivables of PLN 5m (+140.3%). The cash position remained healthy at PLN 2.96m (-16.7% y-o-y) and sufficient to cover the proposed dividend for 2023 (PLN 2.1m or PLN 0.06/share).

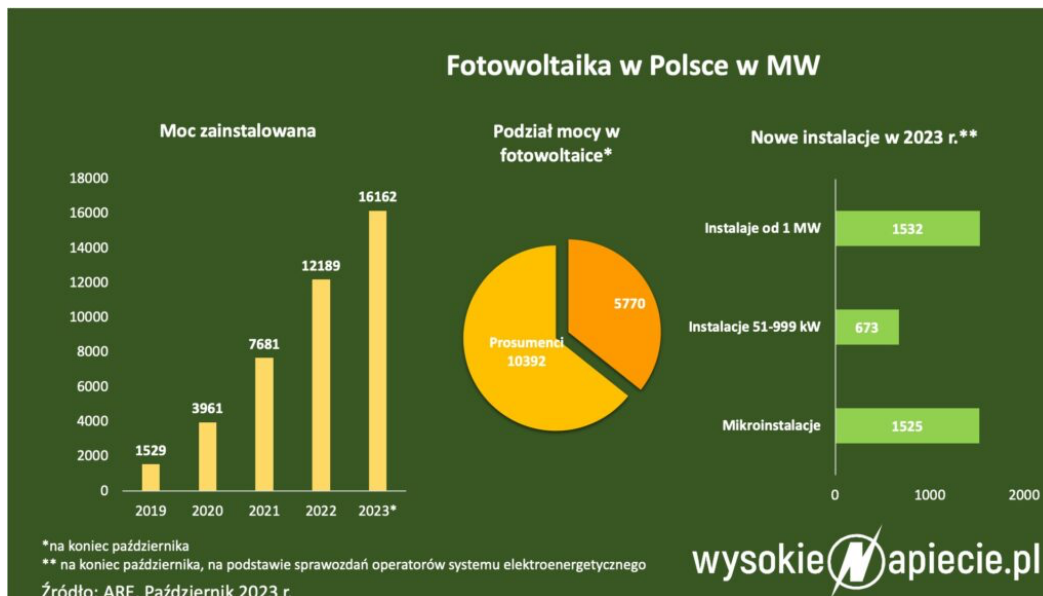
In Q1/24, Novavis generated a lower operating cash flow y-o-y of PLN 0.9m (-47.8% y-o-y) due to weaker financial results. Cash flow from investing amounted to PLN 35k (Q1/23: PLN -25k) and cash flow from financing PLN -20k (Q1/23: -135k).

Financial forecasts

Revenues and Profitability

The Polish PV boom started in 2019, when the previous government introduced the “Moj Prąd” program with subsidies for PV installations, heat and energy storages. In 2022, after the Russian invasion in Ukraine caused a massive increase of oil, gas and electricity prices, the development of photovoltaic plants significantly accelerated. According to SolarPower Europe, in 2023 the number of new PV installations in Poland was the 4th highest in the EU after Germany, Spain and Italy. Of the new 3,730 installations, large ones with at least 1 MW – the area where NVG operates - accounted for 41.1%.

PV installations in Poland 2019-2023

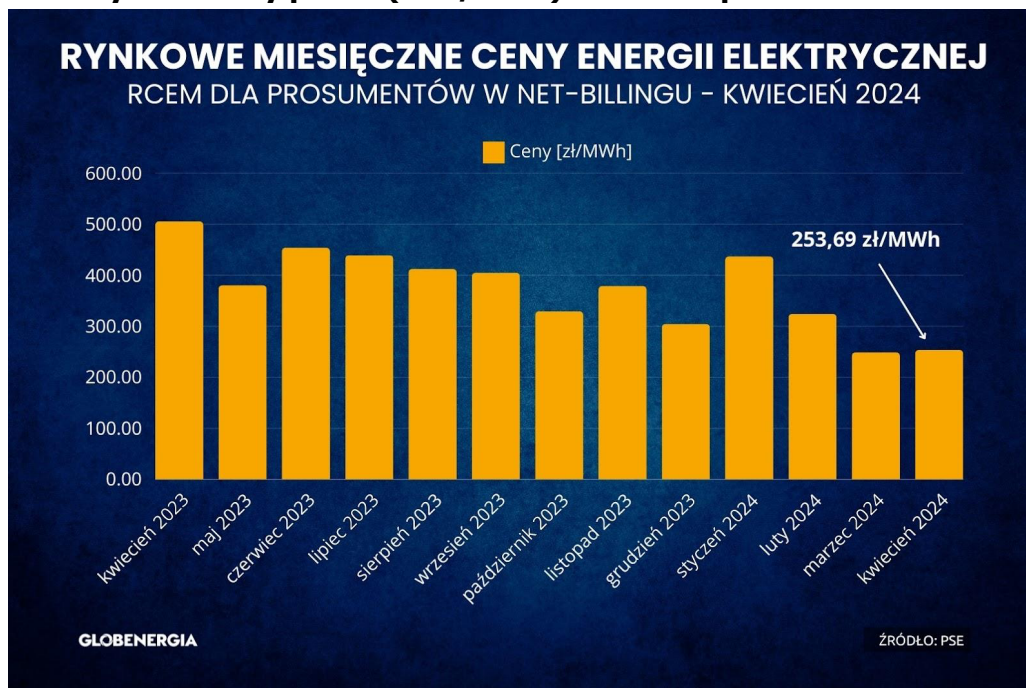


Sources: wysokienapiecie.pl, East Value Research GmbH

According to wnp.pl and wysokienapiecie.pl, currently the main issue for the whole PV industry in Poland are delays with obtaining the terms & conditions for grid connection. URE estimates that last year a record of 7,448 applications with a total capacity of 83.6 GW was rejected. The main reason were outdated energy grids with limited capacity, but also – in our view - a change of government in Poland in Q4/23.

We believe that in the coming quarters Novavis' Polish business could be positively impacted by the money from the EU Resilience and Reconstruction Fund and stronger support for climate-related projects by the new Polish government e.g. faster modernisation of energy grids, the introduction of a minimum purchase price of electricity that has been produced by a PV plant. In addition, we expect that electricity prices in Poland that in April 2024 almost halved compared to 4/2023 will continue to rise in the future e.g. due to more expensive CO₂ certificates, which would make PV investments more attractive again.

Monthly electricity prices (PLN/MWh) for Polish prosumers



Sources: PSE, Globenergia, East Value Research GmbH

We have lowered our estimates for 2024E and beyond as administrative delays make our previous revenue forecast unrealistic and NVG's profitability in Q1/24 was much lower than we had expected. In its Q1/24 report, the company estimates the value of potential milestone payments in 2024E for the projects that it realizes for Iberdrola Renewables Polska at between EUR 1.6m/PLN 6.8m and EUR 8.1m/PLN 34.5m. With our revenue estimate for 2024E of PLN 11m (= EUR 2.6m), we are at the lower end of the company's guidance. We would like to emphasize that Q2/24 could possibly be even weaker than Q1 due to administrative delays and most of the expected revenues will likely only be generated in H2/24E.

For 2025E and the following years we have kept our revenue forecasts unchanged.

Below is an overview over our updated estimates for Novavis Group's results in 2024E-2027E:

in PLNm	2024E	2025E	2026E	2027E
Project development for Iberdrola	10.97	48.38	52.92	20.16
<i>(% of net sales)</i>	<i>100.0%</i>	<i>73.1%</i>	<i>71.2%</i>	<i>44.7%</i>
EBITDA margin	57.5%	50.0%	45.0%	40.0%
% of portfolio value as milestone payments	7.0%	40.0%	75.0%	100.0%
Total project portfolio (Iberdrola)	460	360	210	60
Avg. price per MW (in EUR)	80,000	80,000	80,000	80,000
PLN-EUR FX rate	4.26	4.20	4.20	4.20
Development of own projects (PV & energy storage)	0.00	17.85	21.42	24.99
<i>(% of net sales)</i>	<i>0.0%</i>	<i>26.9%</i>	<i>28.8%</i>	<i>55.3%</i>
EBITDA margin	57.5%	50.0%	45.0%	40.0%
Capacity of own portfolio (in MW)	280	310	340	370
Sale of own MW	0	50	60	70
Avg. price per MW (in EUR)	85,000	85,000	85,000	85,000
PLN-EUR FX rate	4.30	4.20	4.20	4.20
Net sales	10.97	66.23	74.34	45.15
<i>(change y-o-y)</i>	<i>3.7%</i>	<i>503.6%</i>	<i>12.2%</i>	<i>-39.3%</i>

Source: East Value Research GmbH

	2023		2024E		2025E		2026E		2027E	
in PLNm	act.	est.	new	old	new	old	new	old	new	old
Net sales	10.58	11.33	10.97	14.24	66.23	66.23	74.34	74.34	45.15	45.15
EBITDA	6.51	7.37	6.31	8.19	33.12	33.12	33.45	35.68	18.06	20.77
<i>EBITDA margin</i>	<i>61.5%</i>	<i>65.0%</i>	<i>57.5%</i>	<i>57.5%</i>	<i>50.0%</i>	<i>50.0%</i>	<i>45.0%</i>	<i>48.0%</i>	<i>40.0%</i>	<i>46.0%</i>
EBIT	6.46	7.31	6.24	8.11	33.03	33.02	33.34	35.56	17.93	20.63
<i>EBIT margin</i>	<i>61.0%</i>	<i>64.5%</i>	<i>56.9%</i>	<i>57.0%</i>	<i>49.9%</i>	<i>49.9%</i>	<i>44.9%</i>	<i>47.8%</i>	<i>39.7%</i>	<i>45.7%</i>
Net income	5.06	6.19	4.99	6.60	26.46	26.55	26.63	28.53	14.06	16.34
<i>Net margin</i>	<i>47.8%</i>	<i>54.6%</i>	<i>45.5%</i>	<i>46.3%</i>	<i>39.9%</i>	<i>40.1%</i>	<i>35.8%</i>	<i>38.4%</i>	<i>31.1%</i>	<i>36.2%</i>

Source: East Value Research GmbH

in PLNm	Q1/22	Q2/22	Q3/22	Q4/22	2022	Q1/23	Q2/23	Q3/23	Q4/23	2023	Q1/24
Net sales	0.74	0.34	0.09	8.28	9.45	4.87	2.61	1.66	1.44	10.58	2.89
<i>y-o-y change</i>	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>	<i>-7.3%</i>	<i>554.8%</i>	<i>679.7%</i>	<i>1707.6%</i>	<i>-82.6%</i>	<i>12.0%</i>	<i>-40.6%</i>
EBITDA	-0.29	-1.22	-0.63	6.83	4.70	3.85	1.76	0.62	0.28	6.51	1.85
<i>EBITDA margin</i>	<i>-38.4%</i>	<i>-363.9%</i>	<i>-680.4%</i>	<i>82.5%</i>	<i>49.7%</i>	<i>79.1%</i>	<i>67.2%</i>	<i>37.2%</i>	<i>19.7%</i>	<i>61.5%</i>	<i>64.1%</i>
EBIT	-0.30	-1.23	-0.64	6.81	4.65	3.83	1.74	0.61	0.27	6.46	1.84
<i>EBIT margin</i>	<i>-40.2%</i>	<i>-367.2%</i>	<i>-695.7%</i>	<i>82.3%</i>	<i>49.2%</i>	<i>78.8%</i>	<i>66.8%</i>	<i>36.6%</i>	<i>18.8%</i>	<i>61.0%</i>	<i>63.7%</i>
Net income	-0.76	-0.74	-0.47	4.83	2.86	3.55	1.52	-0.17	0.16	5.06	1.57
<i>Net margin</i>	<i>-102.0%</i>	<i>-221.2%</i>	<i>-508.7%</i>	<i>58.3%</i>	<i>30.2%</i>	<i>72.9%</i>	<i>58.0%</i>	<i>-10.1%</i>	<i>11.3%</i>	<i>47.8%</i>	<i>54.2%</i>

Source: East Value Research GmbH

CAPEX and Working capital

We now believe that gross CAPEX will reach PLN 410k in 2024E-2027E due to further investments in land for PV plants. Regarding working capital, we expect a cash conversion cycle of -30 days in the future (2023: -312 days).

Valuation

With lower forecasts, a higher peer-group-based fair value of PLN 4.73 vs. PLN 3.36 before and lower WACC (10% vs. 10.5% previously), our valuation model derives a new 12-months PT (80% DCF, 20% peer group) for Novavis Group S.A. of PLN 4 (previously: PLN 4.30). Given an upside potential of 93.2% at present, our BUY rating for the stock remains unchanged.

Below are the key assumptions of our WACC calculation:

- (1) *Risk-free rate*: Current yield of Polish long-term government bonds with maturity in 2047E is 6.1% (Source: www.boerse-stuttgart.de)
- (2) *Beta*: 4y average unlevered beta of companies from the Green & Renewable Energy sector of 0.66x (Source: www.damodaran.com)
- (3) *Equity risk premium (Poland)*: 5.84% (Source: www.damodaran.com)
- (4) *Effective tax rate*: 19%
- (5) *Target equity ratio*: 100%
- (6) *After-tax debt costs*: 10%
- (7) *WACC = Equity costs*: 10%
- (8) Free cash flows and residual values are discounted to May 30, 2024

DCF model

in PLNm	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E			
Net sales	10.97	66.23	74.34	45.15	28.56	32.13	35.70	39.27	42.84			
(y-o-y change)	3.7%	503.6%	12.2%	-39.3%	-36.7%	12.5%	11.1%	10.0%	9.1%			
EBIT	6.24	33.03	33.34	17.93	9.85	10.05	9.97	9.63	9.04			
(EBIT margin)	56.9%	49.9%	44.9%	39.7%	34.5%	31.3%	27.9%	24.5%	21.1%			
NOPLAT	5.05	26.75	27.01	14.52	7.98	8.14	8.07	7.80	7.33			
+ Depreciation & amortisation	0.07	0.09	0.11	0.13	0.15	0.17	0.19	0.21	0.23			
= Net operating cash flow	5.12	26.84	27.12	14.65	8.13	8.31	8.26	8.01	7.56			
- Total investments (Capex and WC)	1.57	8.73	-3.94	-11.46	-6.85	-2.06	-1.96	-2.02	-2.94			
Capital expenditure	-0.08	-0.09	-0.11	-0.13	-0.15	-0.17	-0.19	-0.21	-0.23			
Working capital	1.65	8.82	-3.83	-11.33	-6.70	-1.89	-1.77	-1.81	-2.71			
= Free cash flow (FCF)	6.70	35.57	23.17	3.19	1.28	6.24	6.30	5.98	4.62			
PV of FCF's	6.34	30.60	18.13	2.27	0.83	3.67	3.37	2.91	2.04			
PV of FCFs in explicit period	70.17											
PV of FCFs in terminal period	46.12											
Enterprise value (EV)	116.29											
+ Net cash / - net debt (31 March 2024)	2.86											
+ Investment / - minorities	-1.33											
Shareholder value	117.82											
Fully-diluted number of shares (m)	35.02											
					Terminal EBIT margin							
WACC	10.0%				18.1%	19.1%	20.1%	21.1%	22.1%	23.1%	24.1%	
Cost of equity	10.0%				6.0%	5.99	6.16	6.33	6.50	6.67	6.84	7.01
Pre-tax cost of debt	12.4%				7.0%	5.00	5.13	5.25	5.38	5.50	5.63	5.76
Normal tax rate	19.0%				8.0%	4.34	4.44	4.54	4.63	4.73	4.83	4.92
After-tax cost of debt	10.0%				9.0%	3.87	3.95	4.02	4.10	4.18	4.25	4.33
Share of equity	100.0%				10.0%	3.51	3.58	3.64	3.70	3.76	3.82	3.89
Share of debt	0.0%				11.0%	3.24	3.29	3.34	3.39	3.44	3.49	3.54
Fair value per share in PLN (today)	3.36				12.0%	3.01	3.05	3.10	3.14	3.18	3.22	3.26
Fair value per share in PLN (in 12 months)	3.70											

Source: East Value Research GmbH

Peer Group Analysis

We have identified the following listed companies that operate in the same segment as Novavis Group. Our peer group consists of companies that develop and/or build photovoltaic farms and other renewable energy facilities (e.g. wind, hydro).

In Poland, where the market is highly fragmented, Novavis' main peer is privately-held R.Power S.A. For 2023, the most recent period available, R.Power reported revenues of PLN 314.1m and an EBITDA of PLN 84m. According to its website, the company operates PV plants with a capacity of 599 MWp in Poland and abroad. Its current project portfolio has a capacity of c. 10 GWp.

(1) *Encavis AG*: Encavis, which is based in Hamburg/Germany, acquires and operates solar and onshore wind parks in Europe and internationally. The company's renewable energy plant portfolio includes >210 solar parks and >90 wind farms with a capacity of approximately 3.5 GW. It also provides asset management and fund solutions services to institutional investors in the renewable energy sector; and technical operation and maintenance services for PV parks. In 2023, Encavis, which has a market cap of EUR 2.7bn, generated revenues of EUR 497.3m and an EBITDA margin of 60.9%. Its ROCE equalled 3.5%.

(2) *Photon Energy NV*: Photon Energy, which is based in Amsterdam/the Netherlands, provides development, engineering, construction, installation, operation and maintenance of photovoltaic systems. The company also invests in and generates electricity through photovoltaic power plants. It has a project pipeline of 1.2+ GWp in Australia, the Czech Republic, Hungary, Slovakia, Poland, and Romania and own electricity generation assets of 131.1 MWp. In 2023, Photon Energy, which has a market cap of PLN 456.1m, generated revenues of PLN 300.9m and an EBITDA margin of 0.9%.

(3) *ABO WIND AG*: ABO Wind, with the main office in Wiesbaden/Germany, develops and builds renewable energy, storage and hybrid projects. Operating in 16 countries on four continents and with >1,200 employees, the company has so far realized projects with a capacity of >5 GW. In its development pipeline, it has projects with a total capacity of >23 GW with the largest being under development in South Africa, Finland and Germany. ABO Wind, which has a market cap of EUR 511.5m, generated revenues of EUR 299.7m and an EBITDA margin of 19.6% in 2023. Its ROCE equalled 9.2%.

(4) *7C Solarparken AG*: 7C Solarparken, which is based in Bayreuth/Germany, owns and operates PV farms primarily in Germany and Belgium. It has a combined asset portfolio of 500 MWp. In 2023, 7C Solarparken, which has a market cap of EUR 276.9m, generated revenues of EUR 69.8m and an EBITDA margin of 83.4%. Its ROCE equalled 3.4%.

(5) *PNE AG*: PNE, which is based in Cuxhaven/Germany, develops, constructs, and sells onshore and offshore wind farms; provides technical and commercial operation management services for wind farms, PV plants, and transformer stations; and generates electricity from wind and biomass power plants. It is also involved in the development of photovoltaics and hybrid solutions. Currently, the company, which is active in 15 countries in Europe, South Africa, North America and Asia, has a pipeline of >19.8 GW (wind & PV) and own plants with 370 MW. In 2023, PNE, which has a market cap of EUR 1.1bn, generated revenues of EUR 121.5m and an EBITDA margin of 24.2%. Its ROCE equalled 0.3%.

(6) *Ecoener SA*: Ecoener, which is headquartered in La Coruna/Spain, develops, owns and operates renewable energy projects (wind, hydroelectric, solar and storage) in 15 countries. With majority of installed power in Spain and the Dominican Republic, Ecoener currently operates renewable energy installations with a power of 341 MW (solar: 182 MW) and with over 1.5 GW (solar: 864 MW) under development. In 2023, the company generated revenues of EUR 64m and an EBITDA margin of 50.2%. Its ROCE was 2.8%. Ecoener is currently worth EUR 215.7m on the stock exchange.

(7) *Eolus Vind AB*: Eolus, which is headquartered in Hassleholm/Sweden, develops, establishes and operates renewable energy and energy storage installations. The total power of its portfolio equals 28.1 GW (solar: 6.1 GW), with >90% in early phase of development. With a market cap of SEK 1.9bn (EUR 162.5m), in 2023, Eolus generated revenues of SEK 2.3bn (EUR 270.7m) and an EBITDA margin of 31.3%. Its ROCE equalled 25.7%.

(8) *Grenergy Renovables SA*: Grenergy Renovables, which is based in Madrid/Spain, develops, builds and operates wind, solar, and energy storage systems. With a presence in 11 countries, it has already completed projects with a capacity of >900 MW and has >15 GW under development. In 2023, the Spanish company, which has a market cap of EUR 833.5m, generated revenues of EUR 400.2m and an EBITDA margin of 25.6%. Its ROCE equalled 7%.

(9) *OX2 AB*: OX2, which is based in Stockholm/Sweden, acquires, develops and builds renewable energy projects (on/off-shore wind power, solar, energy storage). Operating in 11 countries, its project development portfolio's capacity amounts to 33.1 GW (solar: 4.4 GW), with the majority in Sweden and Finland. With a market cap of SEK 16.1bn (EUR 1.3bn), in 2023 OX2 generated revenues of SEK 7.8bn (EUR 641.6m) and an EBITDA margin of 14.7%. Its ROCE equalled 19.3%.

Company	EV/Sales			EV/EBITDA			P/E			P/BVPS	EBITDA margin	Net gearing
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	Latest	Last FY	Latest
Encavis AG (EUR)	9.7x	8.5x	7.6x	14.5x	12.6x	11.4x	32.7x	26.2x	23.3x	2.3x	60.9%	148.7%
Photon Energy NV (PLN)	2.9x	2.4x	2.2x	17.5x	13.1x	10.2x	n.a	n.a	n.a	1.6x	0.9%	251.8%
ABO Wind AG (EUR)	1.9x	1.9x	1.5x	10.0x	9.7x	8.3x	17.9x	17.1x	14.6x	2.7x	19.6%	86.7%
7C Solarparken AG (EUR)	6.2x	6.3x	5.9x	7.3x	7.4x	7.0x	22.3x	22.3x	22.3x	1.2x	83.4%	74.6%
PNE AG (EUR)	11.3x	9.7x	7.7x	37.7x	27.7x	19.3x	n.a	n.a	n.a	5.4x	24.2%	353.9%
Ecoener SA (EUR)	5.4x	4.1x	3.2x	9.4x	6.4x	4.7x	12.2x	8.4x	5.3x	1.7x	50.2%	246.5%
Eolus Vind AB (SEK)	1.7x	1.5x	1.6x	5.2x	5.0x	5.3x	6.9x	6.5x	7.0x	1.2x	31.3%	7.3%
Grenergy Renewables SA (EUR)	4.2x	2.4x	2.3x	12.1x	6.9x	5.3x	12.8x	8.1x	8.5x	2.5x	25.6%	204.0%
OX2 AB (SEK)	1.2x	0.8x	0.6x	9.9x	6.6x	5.1x	13.7x	9.6x	7.3x	3.5x	14.7%	-64.2%
Median	4.2x	2.4x	2.3x	10.0x	7.4x	7.0x	13.7x	9.6x	8.5x	2.3x	25.6%	148.7%
Novavis Group S.A. (PLN)	6.3x	1.1x	0.9x	11.0x	2.1x	2.1x	14.0x	2.7x	2.7x	7.4x	69.6%	-29.1%
Premium/Discount	50.0%	-57.0%	-58.4%	10.6%	-71.5%	-70.4%	2.3%	-71.7%	-68.1%			
Fair value Novavis (PLN)	4.73											

Source: CapitalIQ, marketscreener.com, East Value Research GmbH

Price target calculation

Valuation method	Fair value	Weight
DCF model	3.36	80%
Peer Group Analysis	4.73	20%
Weighted average (present value)	3.64	
In 12-months (PV * (1+WACC))	4.00	

Source: East Value Research GmbH

Profit and loss statement

in PLNm	2022	2023	2024E	2025E	2026E	2027E
Total revenues	9.45	10.58	10.97	66.23	74.34	45.15
Direct costs	-3.63	-2.62	-2.74	-25.17	-29.74	-18.96
Gross profit	5.82	7.96	8.23	41.07	44.60	26.19
Other operating income	0.04	0.04	0.05	0.05	0.06	0.06
Personnel expenses	-0.54	-0.98	-1.10	-6.62	-7.43	-4.52
Other operating expenses	-0.63	-0.52	-0.87	-1.38	-3.77	-3.67
EBITDA	4.70	6.51	6.31	33.12	33.45	18.06
Depreciation & amortization	-0.05	-0.05	-0.07	-0.09	-0.11	-0.13
EBIT	4.65	6.46	6.24	33.03	33.34	17.93
Net financial results	-1.65	-0.20	0.05	0.05	0.04	0.04
EBT	2.99	6.26	6.29	33.07	33.38	17.97
Income taxes	-0.81	-1.54	-1.20	-6.28	-6.34	-3.41
Minority interests	0.68	0.33	0.08	-0.17	-0.27	-0.37
Net income / loss	2.86	5.06	5.18	26.62	26.77	14.18
EPS	0.08	0.14	0.15	0.76	0.76	0.41
DPS	0.00	0.06	0.07	0.38	0.38	0.20
Share in total sales						
Total revenues	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Direct costs	-38.44 %	-24.76 %	-25.00 %	-38.00 %	-40.00 %	-42.00 %
Gross profit	61.56 %	75.24 %	75.00 %	62.00 %	60.00 %	58.00 %
Other operating income	0.47 %	0.41 %	0.43 %	0.08 %	0.08 %	0.14 %
Personnel expenses	-5.68 %	-9.24 %	-10.00 %	-10.00 %	-10.00 %	-10.00 %
Other operating expenses	-6.62 %	-4.91 %	-7.93 %	-2.08 %	-5.08 %	-8.14 %
EBITDA	49.72 %	61.49 %	57.50 %	50.00 %	45.00 %	40.00 %
Depreciation & amortization	-0.56 %	-0.47 %	-0.64 %	-0.14 %	-0.15 %	-0.29 %
EBIT	49.16 %	61.02 %	56.86 %	49.86 %	44.85 %	39.71 %
Net financial results	-17.49 %	-1.85 %	0.46 %	0.07 %	0.05 %	0.08 %
EBT	31.68 %	59.17 %	57.32 %	49.93 %	44.91 %	39.79 %
Income taxes	-8.57 %	-14.53 %	-10.89 %	-9.49 %	-8.53 %	-7.56 %
Minority interests	7.14 %	3.15 %	0.76 %	-0.25 %	-0.36 %	-0.81 %
Net income / loss	30.25 %	47.79 %	47.18 %	40.19 %	36.01 %	31.42 %

Balance sheet

in PLNm	2022	2023	2024E	2025E	2026E	2027E
Cash and cash equivalents	2.01	2.05	1.72	27.93	34.44	20.55
Other financial assets	0.00	0.00	0.00	0.00	0.00	0.00
Inventories	0.00	0.00	0.00	0.00	0.00	0.00
Trade accounts and notes receivable	0.00	0.00	0.00	0.00	0.00	0.00
Other current assets	5.23	6.77	6.90	7.04	7.18	7.32
Current assets	7.23	8.82	8.62	34.96	41.62	27.88
Property, plant and equipment	0.13	0.08	0.08	0.08	0.08	0.08
Other intangible assets	0.00	0.00	0.00	0.00	0.00	0.00
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00
Construction contracts	10.16	21.62	27.02	33.78	37.16	40.87
Other long-term assets	0.13	0.09	0.10	0.10	0.10	0.10
Deferred tax assets	0.76	0.54	0.00	0.00	0.00	0.00
Non-current assets	11.17	22.33	27.20	33.96	37.34	41.05
Total assets	18.40	31.15	35.82	68.92	78.95	68.93
Trade payables	1.92	2.24	2.12	17.36	18.07	9.96
Short-term financial debt	0.13	0.02	0.02	0.01	0.01	0.00
Other liabilities	9.78	19.04	20.94	14.66	10.26	7.18
Provisions	1.19	0.05	0.05	0.00	0.00	0.00
Current liabilities	13.01	21.35	23.13	32.04	28.34	17.15
Long-term financial debt	0.09	0.10	0.00	0.00	0.00	0.00
Other long-term liabilities	0.00	0.00	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00	0.00	0.00
Deferred tax liabilities	0.00	0.00	0.00	0.00	0.00	0.00
Long-term liabilities	0.09	0.10	0.00	0.00	0.00	0.00
Total liabilities	13.10	21.46	23.13	32.04	28.34	17.15
Shareholders equity	3.57	8.29	11.36	35.40	48.86	49.66
Minority interests	1.74	1.40	1.32	1.49	1.75	2.12
Total liabilities and equity	18.40	31.15	35.82	68.92	78.95	68.93

Cash Flow Statement

in PLNm	2022	2023	2024E	2025E	2026E	2027E
Net income / loss	2.86	5.06	5.18	26.62	26.77	14.18
Depreciation & amortization	0.05	0.05	0.07	0.09	0.11	0.13
Change of working capital	2.14	-5.35	1.65	8.82	-3.83	-11.33
Others	-0.97	0.35	-0.54	-0.05	0.00	0.00
Net operating cash flow	4.08	0.10	6.36	35.48	23.05	2.99
Cash flow from investing	-3.50	0.27	-0.08	-0.09	-0.11	-0.13
Free cash flow	0.58	0.38	6.28	35.39	22.94	2.86
Cash flow from financing	0.60	-0.33	-6.62	-9.18	-16.43	-16.74
Change of cash	1.19	0.05	-0.34	26.21	6.51	-13.88
Cash at the beginning of the period	0.82	2.01	2.05	1.72	27.93	34.44
Cash at the end of the period	2.01	2.05	1.72	27.93	34.44	20.55

Financial ratios

Fiscal year	2022	2023	2024E	2025E	2026E	2027E
Profitability and balance sheet quality						
Gross margin	61.56%	75.24%	75.00%	62.00%	60.00%	58.00%
EBITDA margin	49.72%	69.63%	57.50%	50.00%	45.00%	40.00%
EBIT margin	49.16%	61.02%	56.86%	49.86%	44.85%	39.71%
Net margin	30.25%	47.79%	47.18%	40.19%	36.01%	31.42%
Return on equity (ROE)	119.63%	85.27%	52.69%	113.86%	63.55%	28.80%
Return on assets (ROA)	24.51%	16.86%	14.32%	38.56%	33.86%	20.53%
Return on capital employed (ROCE)	62.81%	49.74%	39.85%	72.53%	53.36%	28.05%
Economic Value Added (in PLNm)	2.85	3.90	3.79	23.08	21.97	9.37
Net debt (in PLNm)	-1.79	-1.93	-1.70	-27.91	-34.43	-20.55
Net gearing	-50.01%	-23.25%	-14.94%	-78.85%	-70.46%	-41.38%
Equity ratio	19.40%	26.61%	31.73%	51.36%	61.88%	72.04%
Current ratio	0.56	0.41	0.37	1.09	1.47	1.63
Quick ratio	0.15	0.10	0.07	0.87	1.22	1.20
Net interest cover	2.81	32.94	-124.80	-733.93	-833.58	-512.29
Net debt/EBITDA	-0.38	-0.26	-0.27	-0.84	-1.03	-1.14
Tangible BVPS	0.10	0.24	0.32	1.01	1.40	1.42
Capex/Sales	22.21%	0.35%	-0.68%	-0.14%	-0.15%	-0.29%
Working capital/Sales	-68.44%	-137.17%	-147.28%	-37.72%	-28.45%	-21.76%
Cash Conversion Cycle (in days)	-192	-312	-282	-252	-222	-192
Trading multiples						
EV/Sales	7.37	6.58	6.34	1.05	0.94	1.54
EV/EBITDA	14.82	10.70	11.03	2.10	2.08	3.85
EV/EBIT	14.99	10.78	11.16	2.11	2.09	3.88
P/Tangible BVPS	20.3x	8.7x	6.4x	2.0x	1.5x	1.5x
P/E	25.4x	14.3x	14.0x	2.7x	2.7x	5.1x
P/FCF	124.5x	193.3x	11.5x	2.0x	3.2x	25.4x

Disclaimer

This document (prepared on 30 May 2024) does neither constitute an offer nor a request to buy or sell any securities. It only serves informational purposes. This document only contains a non-binding opinion on the mentioned securities and market conditions at the time of its publication. Due to the general character of its content this document does not replace investment advice. Moreover, in contrast to especially approved prospectuses, it does not provide information, which is necessary for taking investment decisions.

All information, which have been used in this document, and the statements that have been made, are based on sources, which we think are reliable. However, we do not guarantee their correctness or completeness. The expressions of opinion, which it contains, show the author's personal view at a given moment. These opinions can be changed at any time and without further notice.

A liability of the analyst or of the institution, which has mandated him, should be excluded from both direct and indirect damages.

This confidential study has only been made available to a limited number of recipients. A disclosure or distribution to third-parties is only allowed with East Value Research' approval. All valid capital market rules, which relate to the preparation, content as well as distribution of research in different countries, should be applied and respected by both the supplier and recipient.

Distribution in the United Kingdom: In the UK this document shall only be distributed to persons who are described in Section 11 (3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended). This research may not be distributed and forwarded directly or indirectly to any other group of individuals. The distribution of this document in other international jurisdictions may be restricted by law and individuals who possess this study should inform themselves about any existing restrictions and comply with them.

Neither this document nor any copy of it may be taken or sent to the United States of America, Canada, Japan or Australia or distributed, directly or indirectly, in the United States of America, Canada, Japan or Australia or to any resident thereof. Any failure to comply with these restrictions may constitute a violation of United States, Canadian, Japanese or Australian securities laws or the law of any other jurisdiction.

Declaration according to § 34b WpHG and FinAnV on potential conflicts of interest (As of July 24, 2013): East Value Research has been commissioned to prepare this report by Novavis Group S.A.

Declaration according to § 34b WpHG and FinAnV on additional disclosures (As of July 24, 2013):

It is the sole decision of East Value Research GmbH whether and when a potential update of this research will be made.

Relevant basis and measures of the valuations, which are included in this document:

The valuations, which are the basis for East Value Research` investment recommendations, are based on generally-accepted and widely-used methods of fundamental analysis such as the Discounted-Cash-Flow method, Peer Group comparison, or Sum-of-the-Parts models.

The meaning of investment ratings:

Buy: Based on our analysis, we expect the stock to appreciate and generate a total return of more than 10% over the next twelve months

Add: Based on our analysis, we expect the stock to appreciate and generate a total return between 0% and 10% over the next twelve months

Reduce: Based on our analysis, we expect the stock to cause a negative return between 0% and -10% over the next twelve months

Sell: Based on our analysis, we expect the stock to cause a negative return exceeding -10% over the next twelve months

The respective supervisory authority is:

Bundesanstalt für Finanzdienstleistungsaufsicht
Marie-Curie-Straße 24-28
60439 Frankfurt am Main