

## MFO

**#2Q24 forecast - stable volumes and efforts to expand customer base.** We reiterate our original assumptions for 2Q24 on volumes (we assumed > 10 kt of profiles sold per month) and estimate that sales volumes will be around 34.5 kt, implying around 25-30% y/y volume growth. Decreases in sales volumes to regular customers should be offset by acquisitions of new customers as a result of changes in the sales department. Average HDGC prices in Europe were EUR 755/tonne in 2Q24, a decrease of c. EUR 70/tonne q/q, while similar to 4Q23 levels. We assume that the average realised price was similar q/q (~PLN3630/t) due to the fact that some sales are based on quarterly pricing formulas. We expect comparable q/q results, MFO is currently operating on a relatively short warehouse, so we do not expect a negative FIFO effect in 2Q24 (m/m price decline was observed last quarter). The relatively short warehouse is, among other things, the effect of increased purchases in Europe (currently around 10% of purchases made outside Europe). The difficult macroeconomic situation in Europe should favour MFO, which is one of the leaders in its market segment and sales are largely directed to large, stable concerns in Europe. This year's costs are partly burdened by the expansion of the production department dedicated to the new hall in Sochaczew (about 40 people already employed, who are being trained for the launch of the plant in 1Q25).

**#Outlook.** Next year, we assume sales volumes of 169 kt, up from 141 kt in 2024. The start-up of thermal modernisation projects, the EPBD directive and capacity expansion in the area of special and welded profiles (fences, gates, roller shutters) will be the biggest support for sales in 2025. Public buildings will be the first to have to comply with the new EU energy efficiency standards, which will increase demand for windows on the secondary market. Increases in window sales in the primary market in Europe will only come with a reduction in interest rates, which we also expect in 2025. Sales in the welded and special profiles segment are strongly correlated with the industrial sector, after this year's decline in demand, the chances of a trend reversal next year should increase. In addition, the expanded sales team will, in our opinion, translate into a wider customer base. The production of PVC windows, which is the main industry for MFO, increased by 4% y/y in Jan-May'24 according to the Central Statistical Office. Leading Polish producers Eko-Okna, Drutex are currently implementing record investment programmes, which should translate into an increase in demand for window profiles in 2H24 and the following year. Due to high capital expenditures related to the construction of a 30k sqm plant in Sochaczew (+105 kt/year to 280 kt/year, capex PLN 130m), we do not assume dividend payments in 2024-2025.

**#Valuation.** We set 12-mth target price based on DCF method at PLN 49.7/share. The increase in valuation is due to the inclusion of a PLN 39m tax asset related to the investment in Sochaczew (PLN 5.9/share). We raise our EBITDA/net forecast for 2024-2026 by 8%/12%.

| PLNm                   | 2Q22  | 3Q22 | 4Q22  | 1Q23 | 2Q23 | 3Q23 | 4Q23 | 1Q24 | 2Q24E | y/y   | q/q  |
|------------------------|-------|------|-------|------|------|------|------|------|-------|-------|------|
| Revenues               | 295   | 187  | 145   | 152  | 144  | 134  | 146  | 159  | 160   | 11%   | 1%   |
| EBITDA                 | 37.0  | -4.9 | -14.8 | 5.7  | 0.3  | 1.9  | 0.8  | 8.8  | 7.3   | 2390% | -17% |
| EBIT                   | 35.4  | -6.6 | -16.6 | 3.6  | -1.9 | -0.3 | -1.4 | 6.6  | 5.1   | -     | -23% |
| Net profit             | 28.5  | -4.0 | -16.7 | 1.4  | -8.3 | 1.2  | -9.1 | 3.1  | 2.7   | -     | -13% |
| P/E12M trailing        | 1.7   | 3.5  | 8.4   | 22.5 | -    | -    | -    | -    | -     | -     | -    |
| EV/EBITDA 12M trailing | 1.3   | 2.6  | 4.9   | 7.9  | -    | -    | 19.7 | 15.6 | 10.6  | -     | -    |
| revenues growth y/y    | 26%   | -42% | -43%  | -49% | -51% | -28% | 1%   | 5%   | 11%   | -     | -    |
| EBITDA margin          | 12.5% | -    | -     | 3.8% | 0.2% | 1.4% | 0.5% | 5.6% | 4.6%  | -     | -    |
| EBIT margin            | 12.0% | -    | -     | 2.4% | -    | -    | -    | 4.2% | 3.2%  | -     | -    |
| Net profit margin      | 9.6%  | -    | -     | 0.9% | -    | 0.9% | -    | 2.0% | 1.7%  | -     | -    |

## Buy

(Previous: Buy; 49.3 PLN)

**Target Price: 49.7 PLN**

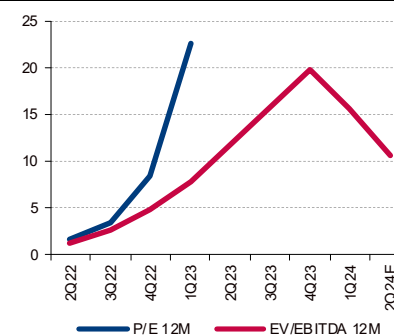
**Current Price: 31.5 PLN**

**Upside: 58%**

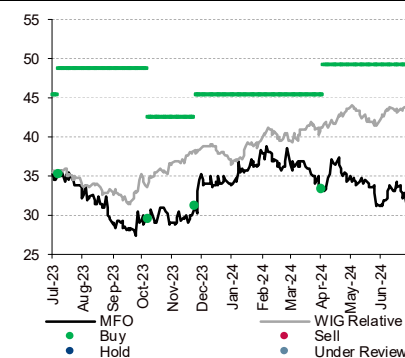
2Q24 Earnings  
19.09.2024

| FACT SHEET             | RECOMMENDATIONS    | Date | Valuation       |
|------------------------|--------------------|------|-----------------|
| Ticker                 | MFO                | Buy  | 19.04.2024 49.3 |
| Sector                 | Steel processor    | Buy  | 11.12.2023 45.4 |
| Price (PLN)            | 31.5               | Buy  | 23.10.2023 42.6 |
| 52W range (PLN)        | 27 / 39.3          | Buy  | 24.07.2023 48.9 |
| Shares outstanding (m) | 6.6                | Buy  | 24.04.2023 45.6 |
| Market Cap (PLNm)      | 208                | Buy  | 17.04.2023 45.6 |
| S&P Global ESG Scores  | ---                | Buy  | 12.12.2022 45.2 |
| 3M Avg. Vol. (PLNm)    | 0.04               | Buy  | 24.10.2022 57.4 |
| Price perf.            | 1M 3M 1Y           |      |                 |
|                        | -0.6% -6.3% -10.7% |      |                 |

P/E 12M vs EV/EBITDA 12M



MFO RELATIVE SHARE PRICE vs WIG



| PLNm          | 2021  | 2022  | 2023 | 2024E | 2025E | 2026E |
|---------------|-------|-------|------|-------|-------|-------|
| Revenues      | 990   | 923   | 576  | 638   | 740   | 830   |
| EBITDA        | 172   | 41    | 9    | 34    | 47    | 55    |
| EBIT          | 167   | 34    | 0    | 25    | 34    | 42    |
| Net profit    | 133   | 25    | -15  | 14    | 21    | 30    |
| EPS (PLN)     | 20.12 | 3.7   | -2.2 | 2.1   | 3.3   | 4.6   |
| DPS (PLN)     | 1.0   | 4.0   | 0.0  | 0.0   | 0.0   | 1.6   |
| P/E (x)       | 1.6   | 8.4   | -    | 14.9  | 9.7   | 6.9   |
| EV/EBITDA (x) | 1.3   | 4.0   | 15.8 | 7.0   | 5.1   | 4.4   |
| P/BV (x)      | 0.7   | 0.7   | 0.7  | 0.7   | 0.7   | 0.6   |
| DY (%)        | 3.2%  | 12.7% | 0.0% | 0.0%  | 0.0%  | 5.2%  |

| Valuation | Current |      | Previous |      | Change |
|-----------|---------|------|----------|------|--------|
| DCF       | 49.7    | 100% | 49.3     | 100% | 1%     |
| Multiples | 39.3    | 0%   | 37.2     | 0%   | 6%     |

| PLNm          | 2024E |       |      | 2025E |       |      | 2026E |       |      |
|---------------|-------|-------|------|-------|-------|------|-------|-------|------|
|               | Curr. | Prev. | Chg. | Curr. | Prev. | Chg. | Curr. | Prev. | Chg. |
| Revenues      | 638   | 638   | 0%   | 740   | 740   | 0%   | 830   | 830   | 0%   |
| EBITDA        | 34    | 26    | 33%  | 47    | 45    | 4%   | 55    | 55    | 0%   |
| EBIT          | 25    | 16    | 55%  | 34    | 32    | 6%   | 42    | 42    | 0%   |
| Net profit    | 14    | 8     | 79%  | 21    | 20    | 6%   | 30    | 31    | -1%  |
| P/E (x)       | 14.9  | 26.7  |      | 9.7   | 10.2  |      | 6.9   | 6.8   |      |
| EV/EBITDA (x) | 7.0   | 9.3   |      | 5.1   | 5.4   |      | 4.4   | 4.4   |      |
| P/BV (x)      | 0.7   |       |      | 0.7   |       |      | 0.6   |       |      |
| DY (%)        | 0.0%  |       |      | 0.0%  |       |      | 5.1%  |       |      |

| Multiples          | 2022 | 2023 | 2024E | 2025E | 2026E |
|--------------------|------|------|-------|-------|-------|
| P/E (x)            | 8.4  | -    | 14.9  | 9.7   | 6.9   |
| adj. P/E (x)       | 8.4  | -    | 14.9  | 9.7   | 6.9   |
| P/BV (x)           | 0.7  | 0.7  | 0.7   | 0.7   | 0.6   |
| EV/EBITDA (x)      | 4.0  | 15.8 | 7.0   | 5.1   | 4.4   |
| adj. EV/EBITDA (x) | 4.0  | 15.8 | 7.0   | 5.1   | 4.4   |
| EV/Sales (x)       | 0.2  | 0.2  | 0.4   | 0.3   | 0.3   |

|               |       |      |       |       |      |
|---------------|-------|------|-------|-------|------|
| FCF Yield (%) | -1.4% | 9.6% | -8.4% | -4.1% | 5.0% |
| DY (%)        | 12.7% | 0.0% | 0.0%  | 0.0%  | 5.2% |

| KPIs           | 2022 | 2023 | 2024E | 2025E | 2026E |
|----------------|------|------|-------|-------|-------|
| EPS (PLN)      | 3.7  | -2.2 | 2.1   | 3.3   | 4.6   |
| adj. EPS (PLN) | 3.7  | -2.2 | 2.1   | 3.3   | 4.6   |
| DPS (PLN)      | 4.0  | 0.0  | 0.0   | 0.0   | 1.6   |
| BVPS (PLN)     | 47.6 | 45.3 | 47.4  | 47.4  | 50.4  |

| Operational ratios         | 2022 | 2023  | 2024E | 2025E | 2026E |
|----------------------------|------|-------|-------|-------|-------|
| Gross margin (%)           | -    | -     | -     | -     | -     |
| adj. EBITDA margin (%)     | 4.4% | 1.5%  | 5.4%  | 6.3%  | 6.7%  |
| EBIT margin (%)            | 3.7% | 0.0%  | 3.9%  | 4.6%  | 5.1%  |
| Net profit adj. margin (%) | 2.7% | -2.6% | 2.2%  | 2.9%  | 3.6%  |

|                     |      |       |       |      |      |
|---------------------|------|-------|-------|------|------|
| ROE (%)             | 7.8% | -4.8% | 4.6%  | 6.9% | 9.3% |
| ROA (%)             | 4.8% | -3.1% | 2.7%  | 3.9% | 5.3% |
| CAPEX/Sales (%)     | 2.1% | 2.3%  | 12.9% | 5.9% | 2.4% |
| CAPEX/D&A (x)       | 2.9  | 1.5   | 8.6   | 3.3  | 1.5  |
| Net debt/Equity (x) | -0.1 | -0.2  | 0.1   | 0.1  | 0.1  |
| Net debt/EBITDA (x) | -1.2 | -8.2  | 1.0   | 0.7  | 0.6  |

|                              |    |    |    |    |    |
|------------------------------|----|----|----|----|----|
| Cash conversion cycle (days) | 69 | 72 | 66 | 68 | 65 |
| Inventory turnover (days)    | 67 | 61 | 66 | 69 | 65 |
| Receivables turnover (days)  | 31 | 39 | 44 | 46 | 44 |
| Payables turnover (days)     | 29 | 28 | 44 | 47 | 44 |

| Income Statement (PLNm)    | 2021       | 2022       | 2023       | 2024E      | 2025E      | 2026E      |
|----------------------------|------------|------------|------------|------------|------------|------------|
| <b>Revenues</b>            | <b>990</b> | <b>923</b> | <b>576</b> | <b>638</b> | <b>740</b> | <b>830</b> |
| PCV profiles               | 573        | 516        | 293        | 302        | 310        | 331        |
| Special/welded profiles    | 291        | 295        | 226        | 243        | 316        | 370        |
| Other profiles             | 116        | 101        | 45         | 48         | 54         | 58         |
| <b>Gross Profit</b>        | <b>225</b> | <b>86</b>  | <b>48</b>  | <b>77</b>  | <b>95</b>  | <b>119</b> |
| SG&A costs                 | 59         | 54         | 51         | 53         | 61         | 77         |
| Other operating items, net | 1          | 2          | 2          | 1          | 0          | 0          |
| <b>EBITDA</b>              | <b>172</b> | <b>41</b>  | <b>9</b>   | <b>34</b>  | <b>47</b>  | <b>55</b>  |
| adj. EBITDA                | 172        | 41         | 9          | 34         | 47         | 55         |
| D&A                        | 5          | 7          | 9          | 10         | 13         | 13         |
| <b>EBIT</b>                | <b>167</b> | <b>34</b>  | <b>0</b>   | <b>25</b>  | <b>34</b>  | <b>42</b>  |
| Net financial costs        | -3         | -4         | -13        | -8         | -7         | -5         |
| <b>EBT</b>                 | <b>164</b> | <b>30</b>  | <b>-13</b> | <b>17</b>  | <b>27</b>  | <b>37</b>  |
| Income tax                 | 31         | 6          | 2          | 3          | 5          | 7          |
| Minority interest          | 0          | 0          | 0          | 0          | 0          | 0          |
| <b>Net profit</b>          | <b>133</b> | <b>25</b>  | <b>-15</b> | <b>14</b>  | <b>21</b>  | <b>30</b>  |
| adj. net profit            | 133        | 25         | -15        | 14         | 21         | 30         |

| Balance Sheet (PLNm)           | 2021       | 2022       | 2023       | 2024E      | 2025E      | 2026E      |
|--------------------------------|------------|------------|------------|------------|------------|------------|
| <b>Non-current Assets</b>      | <b>169</b> | <b>206</b> | <b>208</b> | <b>281</b> | <b>281</b> | <b>288</b> |
| <b>Current Assets</b>          | <b>388</b> | <b>255</b> | <b>289</b> | <b>267</b> | <b>267</b> | <b>305</b> |
| Inventories                    | 239        | 102        | 92         | 140        | 140        | 158        |
| Receivables                    | 94         | 61         | 61         | 93         | 93         | 105        |
| Cash and cash equivalents      | 36         | 85         | 135        | 32         | 32         | 42         |
| <b>Assets</b>                  | <b>557</b> | <b>461</b> | <b>497</b> | <b>548</b> | <b>548</b> | <b>593</b> |
| <b>Equity</b>                  | <b>316</b> | <b>314</b> | <b>300</b> | <b>314</b> | <b>314</b> | <b>333</b> |
| Minority Interests             | 0          | 0          | 0          | 0          | 0          | 0          |
| <b>Non-current Liabilities</b> | <b>44</b>  | <b>49</b>  | <b>65</b>  | <b>62</b>  | <b>62</b>  | <b>66</b>  |
| Long-term borrowings           | 1          | 0          | 17         | 15         | 15         | 17         |
| <b>Current Liabilities</b>     | <b>197</b> | <b>97</b>  | <b>133</b> | <b>172</b> | <b>172</b> | <b>194</b> |
| Short-term borrowings          | 48         | 38         | 47         | 51         | 51         | 58         |
| Payables                       | 119        | 27         | 60         | 95         | 95         | 107        |
| <b>Equity and Liabilities</b>  | <b>557</b> | <b>461</b> | <b>497</b> | <b>548</b> | <b>548</b> | <b>593</b> |

| Cash Flow Statement (PLNm)                 | 2021       | 2022       | 2023      | 2024E      | 2025E      | 2026E      |
|--------------------------------------------|------------|------------|-----------|------------|------------|------------|
| <b>Cash flow from operating activities</b> | <b>16</b>  | <b>105</b> | <b>44</b> | <b>-22</b> | <b>-7</b>  | <b>26</b>  |
| Changes in working capital                 | -130       | 78         | 46        | -46        | -41        | -17        |
| D&A                                        | 5          | 7          | 9         | 10         | 13         | 13         |
| <b>Cash flow from investing activities</b> | <b>-24</b> | <b>-16</b> | <b>-8</b> | <b>-82</b> | <b>-44</b> | <b>-20</b> |
| CAPEX                                      | -24        | -20        | -13       | -82        | -44        | -20        |
| <b>Cash flow from financing activities</b> | <b>11</b>  | <b>-40</b> | <b>16</b> | <b>-1</b>  | <b>59</b>  | <b>3</b>   |
| Dividend/Buy-back                          | 7          | 26         | 0         | 0          | 0          | 11         |
| Net change in cash                         | 3          | 49         | 52        | -105       | 8          | 10         |
| Cash opening balance                       | 32         | 36         | 85        | 137        | 32         | 40         |
| Cash closing balance                       | 36         | 85         | 137       | 32         | 40         | 50         |

## Wycena

### #DCF

| DCF VALUATION (PLNm)               | 2023 | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2031E | 2032E | 2033E |
|------------------------------------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Revenues                           | 576  | 638   | 740   | 830   | 917   | 999   | 1081  | 1147  | 1167  | 1183  | 1203  |
| Y/Y                                | -38% | 11%   | 16%   | 12%   | 10%   | 9%    | 8%    | 6%    | 2%    | 1%    | 2%    |
| EBITDA                             | 9    | 34    | 47    | 55    | 64    | 71    | 79    | 85    | 87    | 88    | 89    |
| EBITDA margin                      | 1.5% | 5.4%  | 6.3%  | 6.7%  | 6.9%  | 7.1%  | 7.3%  | 7.5%  | 7.5%  | 7.4%  | 7.4%  |
| EBIT                               | 0    | 25    | 34    | 42    | 50    | 57    | 65    | 71    | 73    | 74    | 75    |
| EBIT margin                        | 0.0% | 3.9%  | 4.6%  | 5.1%  | 5.5%  | 5.7%  | 6.0%  | 6.2%  | 6.2%  | 6.2%  | 6.3%  |
| NOPLAT                             | 0    | 20    | 27    | 34    | 41    | 46    | 53    | 58    | 59    | 60    | 61    |
| Tax rate                           | 19%  | 19%   | 19%   | 19%   | 19%   | 19%   | 19%   | 19%   | 19%   | 19%   | 19%   |
| D&A                                | 9    | 10    | 13    | 13    | 14    | 14    | 14    | 14    | 14    | 14    | 14    |
| CAPEX                              |      | -82   | -44   | -20   | -20   | -15   | -14   | -14   | -14   | -14   | -14   |
| Changes in working capital         |      | -46   | -41   | -17   | -16   | -15   | -15   | -12   | -4    | -3    | -4    |
| FCF                                |      | -98   | -44   | 10    | 18    | 30    | 38    | 46    | 55    | 57    | 57    |
| D/(E+D)                            |      | 17.3% | 17.3% | 18.4% | 18.2% | 16.9% | 15.0% | 12.6% | 9.1%  | 5.7%  | 4.9%  |
| Beta leverage                      |      | 1.2   | 1.2   | 1.2   | 1.2   | 1.2   | 1.1   | 1.1   | 1.1   | 1.0   | 1.0   |
| Cost of debt after tax             |      | 5.7%  | 5.7%  | 5.7%  | 5.7%  | 5.7%  | 5.7%  | 5.7%  | 5.7%  | 5.7%  | 5.7%  |
| Cost of equity                     |      | 12.5% | 12.5% | 12.6% | 12.6% | 12.5% | 12.4% | 12.2% | 12.0% | 11.8% | 11.8% |
| WACC                               |      | 11.3% | 11.3% | 11.3% | 11.3% | 11.3% | 11.4% | 11.4% | 11.4% | 11.4% | 11.5% |
| Discount ratio                     |      | 0.90  | 0.81  | 0.72  | 0.65  | 0.58  | 0.53  | 0.47  | 0.42  | 0.38  | 0.34  |
| Cum. DFCF                          |      |       |       |       |       |       |       |       |       |       | 18    |
| Residual growth rate               |      |       |       |       |       |       |       |       |       |       | 0.0%  |
| Discounted Residual Value          |      |       |       |       |       |       |       |       |       |       | 169   |
| Enterprise Value                   |      |       |       |       |       |       |       |       |       |       | 188   |
| Net debt (-)                       |      |       |       |       |       |       |       |       |       |       | -47   |
| Dividend (-)                       |      |       |       |       |       |       |       |       |       |       | 39    |
| Minority Interests (-)             |      |       |       |       |       |       |       |       |       |       | 0     |
| Equity Value (1.1.2024)            |      |       |       |       |       |       |       |       |       |       | 274   |
| Equity Value (17.7.2024)           |      |       |       |       |       |       |       |       |       |       | 292   |
| Shares outstanding (m)             |      |       |       |       |       |       |       |       |       |       | 6.61  |
| Equity Value per share (17.7.2024) |      |       |       |       |       |       |       |       |       |       | 44.2  |
| 12M Target Price (PLN)             |      |       |       |       |       |       |       |       |       |       | 49.7  |
| Curr. share price                  |      |       |       |       |       |       |       |       |       |       | 32.1  |
| Upside / (downside)                |      |       |       |       |       |       |       |       |       |       | 54.8% |

Source: Trigon DM

### #Wycena porównawcza

| Company                           | P/E         |             |            | EV/EBITDA  |            |            | EV/EBIT     |             |            |
|-----------------------------------|-------------|-------------|------------|------------|------------|------------|-------------|-------------|------------|
|                                   | 2024E       | 2025E       | 2026E      | 2024E      | 2025E      | 2026E      | 2024E       | 2025E       | 2026E      |
| MFO                               | 15.4        | 10.0        | 7.1        | 7.2        | 5.3        | 4.5        | 10.0        | 7.4         | 5.9        |
| <b>Median</b>                     | <b>13.0</b> | <b>11.1</b> | <b>8.6</b> | <b>7.6</b> | <b>5.7</b> | <b>4.9</b> | <b>11.4</b> | <b>10.0</b> | <b>8.3</b> |
| premium / (discount)              | 19%         | -10%        | -17%       | -5%        | -7%        | -9%        | -13%        | -26%        | -29%       |
| <b>Polski przemysł</b>            | <b>13.0</b> | <b>11.1</b> | <b>8.6</b> | <b>7.6</b> | <b>5.7</b> | <b>4.9</b> | <b>11.4</b> | <b>10.0</b> | <b>8.3</b> |
| AC                                | 8.7         | 9.2         | 8.5        | 6.0        | 6.0        | 6.0        | 7.9         | 7.9         | 8.0        |
| Amica                             | 0.0         | 21.3        | 12.5       | 7.8        | 4.9        | 4.0        | 26.8        | 9.3         | 7.0        |
| Arctic Paper                      | 7.3         | 7.1         | 8.0        | 2.8        | 2.2        | 2.0        | 3.9         | 3.0         | 2.8        |
| Boryszew                          | 0.0         | 17.1        | -          | 9.7        | 6.4        | -          | 50.8        | 14.5        | -          |
| Cognor                            | 33.1        | 12.1        | 10.5       | 12.5       | 8.2        | 7.2        | 20.6        | 11.4        | 9.8        |
| Grupa Kęty                        | 12.8        | 11.6        | 10.8       | 9.6        | 8.5        | 8.0        | 11.9        | 10.5        | 9.7        |
| Mangata                           | 13.1        | 10.6        | 8.6        | 6.6        | 6.0        | 5.4        | 11.0        | 9.5         | 8.3        |
| Rawlplug                          | 15.6        | 7.3         | 5.9        | 7.4        | 5.4        | 4.9        | 13.3        | 8.2         | 7.1        |
| Stalprodukt                       | 0.0         | 364.7       | 40.9       | 4.8        | 2.9        | 2.7        | -7.2        | 30.3        | 12.2       |
| Wielton                           | 0.0         | 8.7         | 6.0        | 10.8       | 5.4        | 4.8        | -708.7      | 11.0        | 8.8        |
| <b>Partial year valuation</b>     | <b>181</b>  | <b>239</b>  | <b>259</b> | <b>229</b> | <b>234</b> | <b>238</b> | <b>251</b>  | <b>304</b>  | <b>315</b> |
| Year weight                       | 33%         | 33%         | 33%        | 33%        | 33%        | 33%        | 33%         | 33%         | 33%        |
| <b>Partial multiple valuation</b> |             | <b>226</b>  |            |            | <b>234</b> |            |             | <b>290</b>  |            |
| Multiple weight                   |             | 50%         |            |            | 50%        |            |             | 0%          |            |

|                                 |             |
|---------------------------------|-------------|
| <b>Current valuation (PLNm)</b> | <b>230</b>  |
| No. Shares                      | 6.6         |
| Current valuation per share     | 35.2        |
| <b>12mth TP</b>                 | <b>39.3</b> |

Source: Bloomberg, Trigon DM

**Risk factors:** (1) Delay in the implementation of thermomodernisation investments with WE funds in Europe Deepening of the slowdown in the construction and industrial sectors; (2) Problems with the availability of employees in a situation of further capacity expansion may exacerbate wage pressures in the company; (3) of limited availability of galvanised sheet, e.g. due to introduction of safeguards and ban on steel imports from Russia; (4) Risk of appreciation of the PLN against the EUR, which may adversely affect margins given the increasing share of exports; (5) Risk of expanding competencies by steel service centres, which in addition to the sheet cutting service may start to provide profiling services for the local market; (6) Risk of internal production of profiles by customers from the window joinery industry.

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**NAGRŃDY  
PSIK**  
2023

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### Glossary of professional terms:

capitalisation – market price multiplied by the number of a company's shares  
 free float (%) – percentage of a company's shares held by shareholders with less than 5% of total voting rights attached to the shares, reduced by treasury shares held by the company  
 min/max 52 wks – lowest/highest share price over the previous 52 weeks  
 average turnover – average volume of share trading over the previous month

EBIT – operating profit  
 EBITDA – operating profit before depreciation and amortisation  
 adjusted profit – net profit adjusted for one-off items  
 CF – cash flow  
 CAPEX – sum of investment expenditures on fixed assets  
 OCF – cash generated through a company's operating activities  
 FCF – cash generated by a company after accounting for cash outflows to support its operations and maintain capital assets  
 ROA – rate of return on assets  
 ROE – rate of return on equity  
 ROIC – rate of return on invested capital  
 NWC – net working capital  
 cash conversion cycle – length of time it takes for a company to convert its cash investments in production inputs into cash revenue from sale of its products or services  
 gross profit margin – ratio of gross profit to net revenue  
 EBITDA margin – ratio of the sum of operating profit and depreciation/amortisation to net revenue  
 EBIT margin – ratio of operating profit to net revenue  
 net margin – ratio of net profit to net revenue  
 EPS – earnings per share  
 DPS – dividend per share  
 P/E – ratio of market price to earnings per share  
 P/BV – ratio of market price to book value per share  
 EV/EBITDA – ratio of a company's EV to EBITDA  
 EV – sum of a company's current capitalisation and net debt  
 DY – dividend yield, ratio of dividends paid to share price  
 RFR – risk free rate  
 WACC – weighted average cost of capital

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 Document prepared by: Łukasz Rudnik

### Valuation methods used

SOTP – sum-of-the-parts method, which consists in valuing a company by valuing its individual business lines separately and then summing them up.  
 - Advantages: different valuation methods can be applied to diverse business lines; the approach is useful for assessing the value of a company e.g. in the case of planned acquisition or restructuring.  
 - Disadvantages: the peer group for individual business lines is usually limited, the method does not adequately account for synergies between business segments.

Risk-adjusted net present value method (rNPV)  
 - Advantages: accounting for probabilities assigned to future cash flows, providing a more realistic assessment of the present value of future cash flows and reflecting business-specific factors, especially in the case of innovative companies.  
 - Disadvantages: subjectivity involved in the adoption of a discount rate, significant reliance on a number of assumptions, high level of complexity in the calculations and exclusion of qualitative factors from the valuation.

Discounted residual income method (DRI)  
 - Advantages: valuation based on the excess of income over risk-adjusted opportunity cost to owners of capital, the method can be applied to companies that do not pay dividends or generate positive FCF.  
 - Disadvantages: significant reliance on subjective judgements and assumptions, as well as sensitivity of the valuation to any changes in those variables.

Discounted dividend model (DDM)  
 - Advantages: accounting for real cash flows to equity owners, the model works best for companies with a long history of dividend distribution.  
 - Disadvantages: the method can be applied to dividend-paying companies only, it is not suitable for companies with a short history of dividend distribution.

Net asset value method (NAV)  
 - Advantages: the approach is particularly relevant to holding companies with significant property, plant and equipment assets, the calculation of NAV is relatively straightforward.  
 - Disadvantages: the method neglects future revenue or earnings potential and may not properly reflect the value of intangible assets.

Target multiple method  
 - Advantages: the method can be applied to any company.  
 - Disadvantages: it involves a high degree of subjectivity.

Replacement value method – it assesses the value of a company based on the costs of replacing its assets.  
 - Advantages: the method is particularly relevant to companies with significant property, plant and equipment assets.  
 - Disadvantages: it may be hard to capture the value of a company's intangible assets, reputation and market potential.

Liquidation value method – the sum of prices that the business would receive upon selling its individual assets on the open market.  
 - Advantages: the method can capture the lowest threshold of a company's value.  
 - Disadvantages: it may be hard to capture the value of a company's intangibles.

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