

Stalprofil

2Q'24 EBITDA lower by 10% vs. our forecast mainly due to the steel division

Michał Hanc
michal.hanc@pekao.com.pl

Stalprofil has published its 2Q'24 earnings with following highlights:

- **Revenues** of PLN 388.0mn (+22% y/y and +11% q/q), including Steel segment of PLN 232.6mn (+9% y/y) and Infrastructure segment of PLN 155.4mn (+48% y/y)
- **Gross profit** amounted to PLN 29.6mn, including Steel segment of PLN 10.8mn and Infrastructure segment of PLN 18.8mn
- **Gross profit margin** of 7.6% (-2.6pp. y/y and -1.9pp. q/q), where Steel segment gross profit margin amounted to 4.7% (+2.3pp. y/y and -3.9pp q/q) and Infrastructure of 12.1% (-14.4pp. y/y and +1.4pp. q/q)
- **EBITDA** amounted to PLN 12.4mn (vs. our forecast of PLN 13.8mn) and EBITDA margin of 3.2% (-2.0pp. y/y)
- **Net profit (parent company)** of PLN 4.6mn vs. PLN 3.3mn year ago
- **Net debt** of 92.1mn, which implies of ND/EBITDA LTM of 1.9x vs. 2.0x a quarter ago.
- **OCF** of PLN 1.8mn vs. PLN 62.9mn a year ago

Our view: NEGATIVE

We view 2Q'24 results negatively, as EBITDA is 10% lower vs. our assumptions, which means we estimated EBITDA margin of 3.8%, where Stalprofil reported EBITDA margin of 3.2% in 2Q'24. The steel segment impacted mainly on the lower consolidated EBITDA margin due to lower steel price by c. Y/Y of 18.3-19.5% or Q/Q of 2.9%-11.6% based on European steel plate or HRC steel prices. According to the World Steel Association, EU (27) crude steel production in Apr-Jun'24 increased by 2.4% y/y vs. corresponding period of the previous year, which could indicate the 2Q'24 volumes of steel distribution could be slightly better vs. 2Q'23. The reported volume by STF in 1H'24 was higher by 16% y/y.

*We estimated higher y/y increase in revenues on the infrastructure division due to lower base in 2Q'23 where we assumed infrastructure division revenues of PLN 180mn and STF reported the final data of PLN 155mn but gross profit was in line with our assumptions which means the company generated higher gross profit margin vs. our assumptions by 1.6pp. The revival has been observed in 2Q'24 on the infrastructure market, where GazSystem has announced some tenders. Also, Stalprofil has reported firstly the most favourable offer (then signing of the contract) in the tenders organized by Gaz-System but the orders will be visible on the company's results rather in FY25 when supply of insulated pipes or construction will be executed. **It shows that the company's backlog in the infrastructure segment may be higher in subsequent quarters and could support results due to lower volumes in the steel division.***

The ND/EBITDA LTM ratio remains at a secure level of 2.0x. In 2Q'24 net income (parent company) amounted to PLN 4.6mn, where assuming current market capitalization of c. PLN 148mn, it implies P/E ratio of 9.4x.

Stalprofil – 2Q'24 results

PLN mn	4Q'22	1Q'23	2Q'23	3Q'23	4Q'23	1Q'24	2Q'24	Y/Y	Q/Q	Pekao	vs. Pekao	2022	2023	2024e	2025e
Revenues	460.1	504.0	318.6	397.6	313.6	349.3	388.0	22%	11%	360.0	8%	2,215.6	1,533.8	1,720.4	2,242.0
Gross profit	17.9	42.0	32.7	27.2	30.1	33.3	29.6	-10%	-11%			218.0	132.0	138.8	195.9
EBITDA	4.5	17.6	16.6	10.2	10.1	14.8	12.4	-25%	-16%	13.8	-10%	125.5	54.5	56.8	81.1
EBIT	0.3	13.3	12.2	6.0	5.6	10.1	7.7	-37%	-24%	9.1	-16%	109.4	37.1	39.8	63.6
Net profit	-1.6	6.7	3.3	0.8	5.1	5.1	4.6	42%	-10%	4.7	-2%	78.7	15.6	20.6	37.3
CF/BS															
Operating CF	-86.8	59.0	62.9	41.6	-0.8	-26.9	1.8								
Investing CF	-6.2	-19.5	-1.8	-25.0	-12.7	3.5	15.8								
Financing CF	27.3	-20.1	-46.3	-26.2	18.0	16.4	-35.7								
ND	150.4	115.9	59.1	60.9	77.4	104.5	92.1								
ND/EBITDA LTM	1.2	1.3	0.9	1.2	1.4	2.0	1.9								
Margins															
Gross profit	3.9%	8.3%	10.3%	6.8%	9.6%	9.5%	7.6%	-2.6 pp.	-1.9 pp.			9.8%	8.6%	8.1%	8.7%
EBITDA	1.0%	3.5%	5.2%	2.6%	3.2%	4.2%	3.2%	-2.0 pp.	-1.0 pp.			5.7%	3.6%	3.3%	3.6%
Divisions															
Steel															
Revenues	298	231	214	223	195	188	233	9%	24%						
Gross profit	7	20	5	14	12	16	10.8	118%	-33%						
<i>Gross profit margin</i>	2.4%	8.9%	2.3%	6.1%	6.4%	8.6%	4.7%	2.3 pp.	-3.9 pp.						
Infrastructure															
Revenues	163	273	105	175	119	161	155.4	48%	-4%						
Gross profit	11	21	28	14	18	17	18.8	-32%	9%						
<i>Gross profit margin</i>	6.7%	7.9%	26.5%	7.8%	14.8%	10.7%	12.1%	-14.4 pp.	1.4 pp.						

Source: Company, Pekao Equity Research

SECTOR ANALYSTS

Director & Chief Analyst
Mining, Construction & Real Estate
Tomasz Duda
tomasz.duda2@pekao.com.pl

Deputy Head of Research
IT, Video Games
Emil Popławski
+48 601 079 478
emil.poplawski@pekao.com.pl

Banking & Financials (Poland)
Michał Fidelus
+48 517 160 749
michal.fidelus@pekao.com.pl

Banking & Financials (CEE)
Adam Motała
adam.motala@pekao.com.pl

Chemicals, Oil & Gas
Krzysztof Kozieł, CFA
+48 664 420 126
krzysztof.koziel@pekao.com.pl

Consumer
Dariusz Dziubiński
+48 502 851 475
dariusz.dziubinski@pekao.com.pl

Telecommunication, E-commerce
Konrad Musiał
+48 603 059 375
konrad.musial@pekao.com.pl

Real Estate
Michał Hanc
Michal.hanc@pekao.com.pl

Foreign Markets
Patryk Olszanowski, CFA
patryk.olszanowski@pekao.com.pl

Damian Szparaga, CFA
damian.szparaga@pekao.com.pl

Lukas Cinikas
lukas.cinikas@pekao.com.pl

INVESTMENT ANALYSIS OFFICE

Market Projections
Piotr Kaźmierkiewicz
piotr.kazmierkiewicz@pekao.com.pl

Technical Analyst
Bartosz Kulesza
bartosz.kulesza@pekao.com.pl

CONTACT AND PUBLICATION ADDRESS

Pekao Brokerage Office
ul. Żubra 1
01-066 Warsaw
Poland
bm@pekao.com.pl

Sales
Poland
+48 22 586 23 99

Sales Trading
Poland
+48 22 586 28 83

Internet
www.pekao.com.pl/biuro-maklerskie

DISCLAIMER

Pekao Brokerage Office (BM) is an organizationally separated unit of Bank Polska Kasa Opieki S.A., based in Warsaw, ul. Żubra 1, 01-066 Poland. Bank Polska Kasa Opieki Spółka Akcyjna with its seat in Warsaw, at ul. Żubra 1, 01-066 Warsaw, Poland, entered in the register of entrepreneurs in the District Court for the Capital City of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, KRS: 0000014843, NIP: 526-00-06-841, REGON: 000010205, share capital (entirely paid) in the amount of PLN: 262 470 034.

BM is supervised by Polish Financial Supervision Authority, ul. Piękna 20, 00-549 Warsaw, Poland and is subject to regulations issued by the Financial Supervision Authority as well as by certain other regulators in the European Union.

The investment analysis is addressed to clients who have entered into an investment research agreement with BM, it is not a general investment advice, nor an investment recommendation provided as part of the investment advisory service, nor a part of portfolio management service. The analysis is given without taking into consideration the needs and circumstances of the Client, in particular when preparing the analyses BM does not examine the Client's investment objectives, level of risk tolerance, time horizon as well as the financial situation of the Clients nor does it assess the suitability of the service.

The investment analysis is based on information obtained from, or are based upon public information sources that we consider to be reliable but for the completeness and accuracy of which we assume no liability. All estimates, projections, forecasts and opinions included in the report represent the independent judgment of the analysts as of the date of the issue. We reserve the right to modify the views expressed herein at any time without notice. Moreover, we reserve the right not to update this information or to discontinue it altogether without notice. While preparing the investment analysis, the company's compliance with the "Best Practices of WSE Listed Companies 2021" was taken into account, based on the GPW IT tool "Best Practices Scanner" - [Microsoft Power BI](#)

This investment analysis is for information purposes only and does not constitute an offer to buy, sell or subscribe to any financial instrument on any financial market. It is also not an advertisement.

BM is not responsible for the consequences of investment decisions made on the basis of the investment analysis. The investment analysis does not give any guarantee that a given strategy or price projection is appropriate for a specific Client, and when using it one should not resign from conducting an independent assessment and taking into account risk factors other than those presented. The securities discussed may fluctuate in price or value. Investors may get back less than they invested. Changes in rates of exchange may have an adverse effect on the value of investments. Furthermore, past performance is not necessarily indicative of future results. In particular, the risks associated with an investment in the financial instrument or security under discussion are not explained in their entirety. The use of BM services involves investment risk, described in detail on the website www.pekao.com.pl/biuro-maklerskie