

# Flash Note

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## MFO (Buy; PLN 49.7)

**2Q24 results: in line with preliminary estimates, weaker gross margin [slightly negative]**

PLNm	2Q23	3Q23	4Q23	1Q24	2Q24	Y/Y	Q/Q	2Q24E	2Q24P
Revenues	144.1	134.0	146.1	158.8	154.2	7%	-3%	159.6	154.2
EBITDA	0.3	1.9	0.8	8.8	4.2	+	-53%	7.3	-
EBIT	-1.9	-0.3	-1.4	6.6	2.0	-	-70%	5.1	2.0
Net profit	-8.3	1.2	-9.1	3.1	1.0	-	-68%	2.7	1.0
OCF	-5.6	23.1	3.1	-9.7	5.0	-	-	4.3	-
Net debt	-20.6	-41.2	-37.4	-25.3	-23.6	-	-	-10.4	-
P/E 12M trailing	-	-	-	-	-	-	-	-	-
EV/EBITDA 12M trailing	-	-	20.1	15.9	12.1	-	-	-	-
revenue y/y	-51%	-28%	1%	5%	7%	-	-	-	-
EBITDA margin	0.2%	1.4%	0.5%	5.6%	2.7%	-	-	4.6%	-
EBIT margin	-	-	-	4.2%	1.3%	-	-	3.2%	1.3%
net margin	-	0.9%	-	2.0%	0.7%	-	-	1.7%	0.7%

Source: Company, Trigon DM, E-Estimates, P-Preliminary

- The balance of other operating activities in 2Q24 was +2.2 (PLN +1m in 1Q24), of which PLN +2.4m related to recognised quality claims
- Employment at the end of 2Q24 was 346 (-4 people q/q and +16 people y/y)
- Relatively low level of capital expenditures (PLN 8.1m in 1H24) in the context of the ongoing investment programme in Sochaczew, may indicate an accumulation of expenditures in 2H24
- At the end of 2Q24, the company had PLN 23.4m in net cash
- Net working capital at the end of 1H24 amounted to PLN 101m (PLN -7m q/q and PLN -14m y/y)

**Commentary:** Results are in line with previous estimates, but we take a slightly negative view due to a 2.5pp q/q decline in Gross margin. Revenues are close to our expectations, so we assume sales volumes were comparable to 1Q24. We estimate period-averaged HDGC purchase prices at PLN3410/t (-50/t q/q). Gross margin was down 2.5pp q/q at 8.9%, which translated into PLN 13.7mn of Gross margin, versus PLN 18.4mn we expected (similar level vs 1Q24). After a relatively good April and a moderate May, we expect that 2Q24 results may have been negatively impacted by June. On the lower lines, the nominal decline is lower due to PLN 2.4mn of recognised quality compensation, but at the gross profit level the company reported a loss of PLN -0.2mn, vs. a PLN 5.6mn profit in 1Q24. Steel prices remained on a downward trend in 3Q24, which means that no clear improvement in earnings is expected in 3Q24, so we see room to lower our forecasts for 2H24, while we maintain our assumptions for 2025, where we expect steel prices to stabilise or rise moderately and demand to rebound on the construction and industrial side. Capital expenditure in 1H24 was relatively low relative to the ongoing investment programme in Sochaczew, so an accumulation of capital expenditure is possible in 2H24, which will affect debt levels. (**Lukasz Rudnik, 887 309 797**)

PLNm	2021	2022	2023	2024E	2025E	2026E
Revenues	990	923	576	638	740	830
EBITDA	172.0	40.7	8.7	34.4	47.0	55.4
EBIT	166.6	33.9	0.0	24.9	33.7	42.1
Net profit	133.0	24.6	-14.8	14.0	21.5	30.2
EPS (PLN)	20.1	3.7	-2.2	2.1	3.3	4.6
P/E (x)	1.6	8.6	-	15.2	9.9	7.0
EV/EBITDA (x)	1.3	4.06	16.2	7.1	5.2	4.4
P/BV (x)	0.7	0.7	0.7	0.7	0.7	0.6
DY (%)	3.1%	12.5%	0.0%	0.0%	0.0%	5.1%

Source: Company, Trigon DM

FACT SHEET			
Ticker	MFO		
Sector	Metal industry		
52W range (PLN)	27 / 39.3		
Shares outstanding (m)	6.6		
Market Cap (PLNm)	212		
Free-float	44.3%		
3M Avg. Vol. (PLNm)	0.0		
Price performance	1M	3M	1Y
	-2.4%	-5.6%	-5.3%

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