

ML System

2Q24 results overview

ML System published its results for 2Q24 and held an analysts' conference call:

- Revenues amounted to PLN 31.3m compared to preliminary results of PLN 31.3m.
- EBITDA amounted to PLN 1.2m, which is 20.5% below the initial estimate of PLN 1.6m.
- The net loss amounted to PLN -8.8m compared to the initial estimates of the loss of PLN -8.6m.
- The CEO of the company Dawid Cycon mentioned that it is unlikely for ML system to realize PLN 400m sales this year.
- Current backlog value amounts to PLN 168m. This are the projects which are likely to be realized over the next 6-12 months.
- The company upholds its goals for EBITDA in 2025 which were presented alongside publishing of the stock option programme.
- The CEO of the company claims that currently there are plenty of orders which ML System could execute. Nevertheless there were several deals both domestic and foreign which the company needed to reject due to insufficient production capacities. The deadline for realization of these rejected deals were relatively close, with deliveries already in September.
- The company was undergoing reorganization of the production lines in the 2Q24 which resulted in low sales levels. Active Glass production line is likely to be delivered by the end of this year. The maximal capacities in production of Active Glass are likely to be reached in mid-2025.
- The company is undergoing the strategic option review. ML System attaches a lot of attention to the US market and is hopeful to reach more contracts going forward. It looks also for a strategic partner on that market.

Opinion: For now the company is still reorganizing its production lines and we reckon it might be difficult to materially improve results in the 2H24.

Figure 1. ML System: 2Q24A results overview (PLN m)

	1Q23	2Q23	3Q23	4Q23A	1Q24A	2Q24A	YY	Q/Q2Q24prelim.	diff
Revenues	46.09	48.42	39.72	59.03	40.12	31.27	-35.4%	-22.1%	31.28 0.0%
Gross profit	4.25	4.08	10.01	13.57	7.70	3.33	-18.3%	-56.8%	3.30 1.0%
EBITDA	7.44	-0.21	6.38	12.08	13.34	1.24	na	-90.7%	1.56 -20.5%
EBIT	0.14	-6.44	1.84	7.53	6.66	-5.95	na	na	na na
Net profit	-2.26	-8.39	-0.10	6.11	5.87	-8.81	5.0%	na	-8.57 2.8%

Source: Company, IPOPEMA Research

Technology

ML System

BUY

FV PLN 58.45

Price from 20.09.2024 2023 PLN 43.50

34.4% upside

Analysts

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The definitions of terms used in the document include:

NII – Net interest income – interest income minus interest expense.

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.

DPS – 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.

FV – Fair Value, calculated based on valuation methods outlined in the document.

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Rating	Różnica pomiędzy FV i ceną z rekomendacji
Kup	Above 10%
Trzymaj	In between (and including) -10% and 10%
Sprzedaj	Below -10%

IPOPEMA Research - -- Rozkład według kategorii rekomendacji (1 January – 30 June 2024)

	Number	%
Kup	25	76%
Trzymaj	6	18%
Sprzedaj	2	6%
Suma	33	100%

Historia ratingu – ML System

Data	Rekomendacja	FV	Cena z rekomendacji	Autor
09/09/2021	BUY	PLN 127.00	PLN 108.40	Robert Maj
06,05,2022	BUY	PLN 90.94	PLN 73.50	Robert Maj
26/08/2022	BUY	PLN 104.48	PLN 75.75	Robert Maj
21/11/2022	BUY	PLN 83.18	PLN 50.60	Robert Maj
05/04/2023	BUY	PLN 92.22	PLN 62.50	Robert Maj
02/10/2023	BUY	PLN 87.20	PLN 65.30	Robert Maj
24/04/2024	BUY	PLN 58.45	PLN 47.20	Robert Maj