

IFIRMA *summary of report*

neutral

business services / IT

previous recommendation: neutral

Market price*: 22,8

Target price: 20,8

Under the weight of costs

The result for the first half of 2024 at IFIRMA did not bring any positive surprise. Although the company's revenues increased by 14.9% y/y, operating costs grew much faster, by as much as 28.9% y/y, and as a result, despite the increase in the scale of business, the company's EBIT fell by 34.7% y/y, and net profit by 33.6% y/y. In the first half of 2024, IFIRMA faced a high comparison base in the form of the best half-year in the history of the company, i.e. the first half of 2023. In the remaining part of the year, the base will be much less demanding, so we expect the decline in profits to be much smaller than in the first half of 2024. The base will be lower, especially in the recruitment segment, whose revenues have clearly deteriorated since Q3'23.

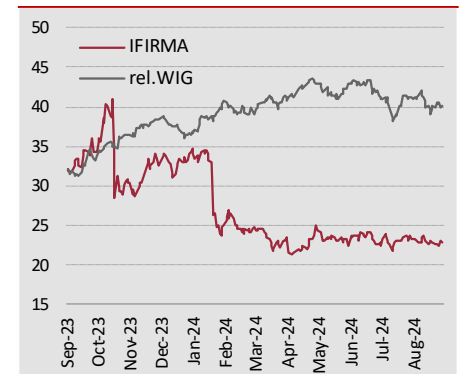
We have updated the valuation model for IFIRMA, taking into account data for the past six months. In particular, we revised upwards the assumptions regarding operating costs and the pace of customer acquisition in the upcoming periods. Ultimately, we change the target price for IFIRMA's shares to PLN 20.8 per share (previously PLN 21.4) and maintain a "neutral" recommendation.

In Q2'24 compared to Q1'24, there was a decline in sales costs, which gives hope that that the rapid increase in customer acquisition expenses will be stopped. A significant investment in marketing in the highly competitive market conditions, allowed company to acquire approximately 10% more new customers for accounting office in the first half of the year, and, as the company described, this increase was concentrated in Q2.

In August, IFIRMA introduced the announced full accounting service. We do not expect that the new service will generate significant revenues in the short term, but it may become an additional growth engine for the company in the long term. In the coming years, IFIRMA plans to develop this new service.

On August 1, 2024, a new price list for accounting services for JDG (sole proprietorship) came into effect. In the new model for customers using simplified accounting (KPiR), the company has abandoned the offer of MINI and MIDI packages in favor of one standard package, in which the customer can send up to 10 cost documents, and if the number is higher, he will be obliged to pay extra for subsequent documents. Prices have risen from 6.8% for clients submitting 11-15 documents and 8% for those sending up to 10 documents, up to 50.7% for customers sending 26-30 documents. We do not know the exact customer structure, but we assume that most clients „fit” below the 15-document threshold. For VAT-exempt lump-sum taxpayers prices have not changed. Among additional services, the prices of 8 out of over 60 services have changed.

Work is underway to thoroughly strengthen the role and powers of the National Labor Inspectorate (PIP), including the area of employment contract inspections. PIP would be granted the right to transform civil law contracts (including B2B) into an employment contracts by administrative decision. For now, it is too early to say whether the change may actually translate into a reduction in the number of B2B contractors, which would have a negative impact on the IFIRMA by limiting the pool of potential customers. The changes could come into effect in 2025.



| | | |
|--------------------------|---------------------|------------------------|
| Max/min 52 weeks (PLN) | 42,5 / 20,6 | |
| Shares issued (m) | 6,400 | |
| Market cap. (m PLN) | 145,9 | |
| EV (m PLN) | 163,0 | |
| Free float (m PLN) | 61,8 | |
| Average turnover (m PLN) | 0,12 | |
| Main shareholder | Wojciech Narczyński | |
| % of shares, % of votes | 26,8%, 33,0% | |
| | 1 m | 3 m 12 m |
| Price change | -2,2% | -1,7% -29,1% |
| WIG change | -2,7% | -5,2% 24,5% |

Seweryn Żołyniak, CFA

seweryn.zolyniak@bankmillennium.pl

| | Sales | EBIT | EBITDA | Profit before tax | Net profit | EPS | CEPS | BVPS | P/E | P/BV | DY (%) | EV /EBITDA | ROE (%) |
|-------|-------|------|--------|-------------------|------------|------|------|------|------|------|--------|------------|---------|
| 2023 | 51,3 | 9,0 | 9,6 | 10,0 | 8,0 | 1,25 | 1,35 | 2,01 | 18,2 | 11,4 | 6,1% | 16,9 | 62,3% |
| 2024f | 59,3 | 6,6 | 7,1 | 7,5 | 6,1 | 0,95 | 1,03 | 2,03 | 24,1 | 11,3 | 4,1% | 22,9 | 46,8% |
| 2025f | 68,6 | 8,7 | 9,2 | 9,4 | 7,7 | 1,20 | 1,28 | 2,03 | 19,1 | 11,3 | 5,2% | 17,7 | 59,1% |
| 2026f | 76,2 | 9,7 | 10,3 | 10,4 | 8,4 | 1,31 | 1,40 | 2,16 | 17,3 | 10,6 | 5,2% | 15,9 | 61,0% |

f - BM Bank Millennium forecasts, PLN million

The report was prepared by Biuro Maklerskie Banku Millennium S.A. on the order of the Warsaw Stock Exchange S.A. within the Program of Analytical Coverage Support Information regarding the links between Bank Millennium with the company being the subject of this report and other required information were placed on the last page of the report.

* - market price for September 23, 2024 17:00

BM Bank Millennium recommendation for the last 12 months

| Company | Recommendation | Date of the recommendation | Applicable price on the day the recommendation | Target price | Author |
|------------------|----------------|----------------------------|--|--------------|----------------------|
| Ambra | Buy | 04/10/2023 | 29,10 | 35,90 | Grzegorz Gaw kow ski |
| Mostostal Zabrze | Buy | 30/11/2023 | 3,87 | 5,80 | Adam Zajler |
| IFIRMA | Neutral | 30/11/2023 | 29,80 | 30,90 | Sew eryn Źołyniak |
| IMS | Buy | 08/12/2023 | 3,79 | 4,60 | Łukasz Bugaj |
| Ambra | Buy | 18/03/2024 | 26,30 | 32,20 | Grzegorz Gaw kow ski |
| IFIRMA | Neutral | 12/04/2023 | 22,30 | 21,40 | Sew eryn Źołyniak |
| IMS | Accumulate | 08/05/2024 | 4,36 | 5,00 | Łukasz Bugaj |
| Mostostal Zabrze | Buy | 01/07/2024 | 4,46 | 5,90 | Adam Zajler |

Source: BM Bank Millennium recommendations issued by BM Bank Millennium are valid for 6 months from the date of issue, unless they are updated beforehand. Ambra, Mostostal Zabrze, IFIRMA and IMS participate in the analytical support program of the Warsaw Stock Exchange, and Agora and Korporacja KGL participated in the program until June 30 2023 and for which BM Bank Millennium receives or was receiving remuneration from the Warsaw Stock Exchange.

Structure of BM Bank Millennium recommendation for the last 12 months

| | Number of recommendations | Share |
|------------|---------------------------|-------|
| Buy | 5 | 63% |
| Accumulate | 1 | 13% |
| Neutral | 2 | 25% |
| Reduce | 0 | 0% |
| Sell | 0 | 0% |

The structure of recommendations for companies for which BM Bank Millennium provided investment banking services*

No recommendations were issued for companies for which BM Bank Millennium provided services in the field of investment

*last 12 months, including companies for which BM Bank Millennium is a market maker

Research Department

Marcin Materna, CFA

Doradca inwestycyjny

+48 22 598 26 82

marcin.materna@bankmillennium.pl

Adam Zajler

+48 22 598 26 88

adam.zajler@bankmillennium.pl

Łukasz Bugaj, CFA

Doradca inwestycyjny

+48 22 598 26 59

lukasz.bugaj@bankmillennium.pl

Grzegorz Gawkowski

+48 22 598 26 05

grzegorz.gawkowski@bankmillennium.pl

Seweryn Żołyński, CFA

Doradca inwestycyjny

+48 22 598 26 71

seweryn.zolyzniak@bankmillennium.pl

Head of Research Department

banks and financial institutions

Analyst

industry, technology, media

Analyst

investment funds

Analyst

investment funds

gaming

Analityk

retail, developers

Sales Department

Radosław Zawadzki

+48 22 598 26 34

radoslaw.zawadzki@bankmillennium.pl

Arkadiusz Szumilak

+48 22 598 26 75

arkadiusz.szumilak@bankmillennium.pl

Jarosław Oldakowski

+48 22 598 26 11

jaroslaw.oldakowski@bankmillennium.pl

Leszek Iwaniec

+48 22 598 26 90

leszek.iwaniec@bankmillennium.pl

Marek Pszczółkowski

+48 22 598 26 60

marek.pszczolkowski@bankmillennium.pl

Head of Sales

Biuro Maklerskie Banku Millennium S.A.

ul. Żaryna 2A, Millennium Park Ip

02-593 Warszawa Polska

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Explanation of the professional terminology used in the report

EV - market valuation of the company + net interest debt

EBIT - operating profit

EBITDA - operating profit + depreciation

WNB - result on banking activity

P/E - ratio of the share price to the net profit per share

P/BV - ratio of the share price to the book value per share

ROE - return on equity

ROA - return on assets

EPS - net profit per share

CEPS - net profit and depreciation per share

BVPS - book value per share

DPS - dividend per share

NPL - non performing loans

The scale of recommendation used in Biuro Maklerskie Banku Millennium S.A.

BUY - we believe that the company's shares have more than 20% upside potential

ACCUMULATE - we believe that the company's shares have more than 10% upside potential

NEUTRAL - we believe that the price of the company's shares will remain stable (+/- 10%)

REDUCE - we think that the company's shares are overvalued by 10-20%

SELL - we believe that the company's shares are overvalued by over 20%

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Comparative method (comparison of relevant market indicators at which the company is listed with similar indicators for other companies from the same industry or related industries) - better than the DCF method, it reflects the perception of the industry in which the company operates by investors. The disadvantage of the comparative method is the sensitivity to the selection of the adopted comparative group and the compared ratios, as well as high volatility of the valuation depending on the market situation.

ROE-P/BV method (a model that makes the appropriate P/BV ratio dependent on the company's profitability) - a method considered the most appropriate for the valuation of banks. The disadvantage of this method is the sensitivity of the valuation obtained in this way to the assumptions made regarding both the company itself (profitability, effectiveness) and its macroeconomic environment.

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Work related to the preparation of the report was completed on September 24, 2024, at 14:45, and the date of the first dissemination of the report is September 24, 2024 15:00.

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