



This report is prepared for the Warsaw Stock Exchange SA within the framework of the Analytical Coverage Support Program 4.0.

590R/2024/AR/October 18, 2024

| Company | LT fundamental recommendation | 12M EFV (PLN) | ST market-relative bias | Analyst |
|----------------|-------------------------------|---------------|-------------------------|--------------------------------------|
| Brand24 | Discontinuation of coverage | | | Sobiesław Pająk, CFA +48 506 142 766 |

Event: Coverage discontinued.

We discontinue the coverage of Brand24's shares within the framework of the Analytical Coverage Support Program 4.0.

Justification:

We are concerned that we would not be able to prepare reliable financial forecasts for the Company (in our understanding, 'reliable forecasts' are those with an acceptable margin of error) and consequently, to prepare a fair valuation.

The Company's management responded to the tender offer announced by Semrush and sold all Brand24's shares they held which implies that the focus on the high market price stopped being the management's key priority. No longer are the management board's members owners of Brand24, they are just employed by Semrush and Semrush's interests which are to buy Brand24's shares in the tender as cheap as possible (and it announced that it would not raise again a price offered in the tender (the price was raised from PLN 45.5 to PLN 47.0 per share)) are in contradiction with the interests of the minority investors who did not accept the conditions of the tender and demanded a higher price. So, first, we have conflicting interests of the current minority shareholders and the controlling shareholder and second, the management has no longer the motivation to strive to maximize the Company's share market price on the WSE.

Potential sale synergies (cross-selling to Semrush clients) and effects of scale of the cooperation with Semrush pose some upside risk regarding Brand24's revenues; they may contribute to a (potentially significant) clients' base growth and, in consequence, to a growth of Brand24's sales which on the other hand may require a material expansion of the Company's OPEX (the management announced a significant increase in the employment) exerting a pressure on profits (this is a downside risk in the short term (several quarters) and in the long term (several years) as well). The priority of American tech companies (to which Semrush belongs) often seems to be fast expansion of the operations scale at the expense of the current profitability. We have a reasonable theory that Brand24's profit growth resulting from synergies with Semrush may be delayed in time. Besides, from the perspective of the majority shareholder targeting a control over 100% shares it is rational to pursue this goal at the lowest possible cost. Thus, in the interests of Semrush it would be *ceteris paribus* a recognition of these incremental profits outside the subsidiary whose remaining shares Semrush wants to take over, with the incremental costs recognized right by this subsidiary. This may not be the case regarding Semrush and Brand24, but we would like to point out that such a possibility cannot be excluded.

All in all, after Semrush has taken over Brand24, the uncertainty related to financial results of the latter may increase materially, in our view. This, in turn, makes us uncomfortable to endorse our forecasts for the Company as reliable (in our understanding, as the forecasts with an acceptable scale of possible error). Therefore, we discontinue the coverage of Brand24 shares within the framework of the Analytical Coverage Support Program 4.0.

Regarding the potential sources of conflict of interest, please refer to the disclaimer section of the attached research report.

BASIC DEFINITIONS

A/R turnover (in days) = $365/(\text{sales}/\text{average A/R})$
Inventory turnover (in days) = $365/(\text{COGS}/\text{average inventory})$
A/P turnover (in days) = $365/(\text{COGS}/\text{average A/P})$
Current ratio = $(\text{current assets} - \text{ST deferred assets})/\text{current liabilities}$
Quick ratio = $(\text{current assets} - \text{ST deferred assets} - \text{inventory})/\text{current liabilities}$
Interest coverage = $(\text{pre-tax profit before extraordinary items} + \text{interest payable})/\text{interest payable}$
Gross margin = $\text{gross profit on sales}/\text{sales}$
EBITDA margin = $\text{EBITDA}/\text{sales}$
EBIT margin = EBIT/sales
Pre-tax margin = $\text{pre-tax profit}/\text{sales}$
Net margin = $\text{net profit}/\text{sales}$
ROE = $\text{net profit}/\text{average equity}$
ROA = $(\text{net income} + \text{interest payable})/\text{average assets}$
EV = $\text{market capitalization} + \text{interest bearing debt} - \text{cash and equivalents}$
EPS = $\text{net profit}/\text{no. of shares outstanding}$
CE = $\text{net profit} + \text{depreciation}$
Dividend yield (gross) = $\text{pre-tax DPS}/\text{stock market price}$
Cash sales = $\text{accrual sales corrected for the change in A/R}$
Cash operating expenses = $\text{accrual operating expenses corrected for the changes in inventories and A/P, depreciation, cash taxes and changes in the deferred taxes}$

DM BOŚ S.A. generally values the covered non bank companies via two methods: comparative method and DCF method (discounted cash flows). The advantage of the former is the fact that it incorporates the current market assessment of the value of the company's peers. The weakness of the comparative method is the risk that the valuation benchmark may be mispriced. The advantage of the DCF method is its independence from the current market valuation of the comparable companies. The weakness of this method is its high sensitivity to undertaken assumptions, especially those related to the residual value calculation. Please note that we also resort to other valuation techniques (e.g. NAV-, DDM- or SOTP-based), should it prove appropriate in a given case.

KEY TO INVESTMENT RANKINGS

This is a guide to expected price performance in absolute terms over the next 12 months:

Buy – fundamentally undervalued (upside to 12M EFV in excess of the cost of equity) + catalysts which should close the valuation gap identified;
Hold – either (i) fairly priced, or (ii) fundamentally undervalued/overvalued but lacks catalysts which could close the valuation gap;
Sell – fundamentally overvalued (12M EFV < current share price + 1-year cost of equity) + catalysts which should close the valuation gap identified.

This is a guide to expected relative price performance:

Overweight – expected to perform better than the benchmark (WIG) over the next quarter in relative terms
Neutral – expected to perform in line with the benchmark (WIG) over the next quarter in relative terms
Underweight – expected to perform worse than the benchmark (WIG) over the next quarter in relative terms

The recommendation tracker presents the performance of DM BOŚ S.A.'s recommendations. A recommendation expires on the day it is altered or on the day 12 months after its issuance, whichever comes first.

Relative performance compares the rate of return on a given recommended stock in the period of the recommendation's validity (i.e. from the date of issuance to the date of alteration or – in case of maintained recommendations – from the date of issuance to the current date) in a relation to the rate of return on the benchmark in this time period. The WIG index constitutes the benchmark. For recommendations that expire by an alteration or are maintained, the ending values used to calculate their absolute and relative performance are: the stock closing price on the day the recommendation expires/ is maintained and the closing value of the benchmark on that date. For recommendations that expire via a passage of time, the ending values used to calculate their absolute and relative performance are: the average of the stock closing prices for the day the recommendation elapses and four directly preceding sessions and the average of the benchmark's closing values for the day the recommendation expires and four directly preceding sessions.

Distribution of DM BOŚ's current recommendations

| | Buy | Hold | Sell | Suspended | Under revision | Not rated |
|------------|-----|------|------|-----------|----------------|-----------|
| Numbers | 44 | 26 | 8 | 5 | 0 | 4 |
| Percentage | 51% | 30% | 9% | 6% | 0% | 5% |

Distribution of DM BOŚ's current market relative recommended weightings

| | Overweight | Neutral | Underweight | Suspended | Under revision | Not rated |
|------------|------------|---------|-------------|-----------|----------------|-----------|
| Numbers | 27 | 40 | 11 | 5 | 0 | 4 |
| Percentage | 31% | 46% | 13% | 6% | 0% | 5% |

Banks

Net Interest Margin (NIM) = $\text{net interest income}/\text{average assets}$
Non interest income = $\text{fees\&commissions} + \text{result on financial operations (trading gains)} + \text{FX gains}$
Interest Spread = $(\text{interest income}/\text{average interest earning assets})/(\text{interest cost}/\text{average interest bearing liabilities})$
Cost/Income = $(\text{general costs} + \text{depreciation})/(\text{profit on banking activity} + \text{other net operating income})$
ROE = $\text{net profit}/\text{average equity}$
ROA = $\text{net income}/\text{average assets}$
Non performing loans (NPL) = loans in 'basket 3' category
NPL coverage ratio = $\text{loan loss provisions}/\text{NPL}$
Net provision charge = $\text{provisions created} - \text{provisions released}$

DM BOŚ S.A. generally values the covered banks via two methods: comparative method and fundamental target fair P/E and target fair P/BV multiples method. The advantage of the former is the fact that it incorporates the current market assessment of the value of the company's peers. The weakness of the comparative method is the risk that the valuation benchmark may be mispriced. The advantage of the fundamental target fair P/E and target fair P/BV multiples method is its independence of the current market valuation of the comparable companies. The weakness of this method is its high sensitivity to undertaken assumptions, especially those related to the residual value calculation. Assumptions used in valuation can change, influencing thereby the level of the valuation. Among the most important assumptions are: GDP growth, forecasted level of inflation, changes in interest rates and currency prices, employment level and change in wages, demand on the analysed company products, raw material prices, competition, standing of the main customers and suppliers, legislation changes, etc. Changes in the environment of the analysed company are monitored by analysts involved in the preparation of the recommendation, estimated, incorporated in valuation and published in the recommendation whenever needed.

Distribution of DM BOŚ's current recommendations for the companies which DM BOŚ has supplied with material investment services within the last 12 months

| | Buy | Hold | Sell | Suspended | Under revision | Not rated |
|------------|-----|------|------|-----------|----------------|-----------|
| Numbers | 4 | 5 | 0 | 1 | 0 | 1 |
| Percentage | 36% | 45% | 0% | 9% | 0% | 9% |

Distribution of DM BOŚ's current market relative recommended weightings for the companies which DM BOŚ has supplied with material investment services within the last 12 months

| | Overweight | Neutral | Underweight | Suspended | Under revision | Not rated |
|------------|------------|---------|-------------|-----------|----------------|-----------|
| Numbers | 2 | 6 | 1 | 1 | 0 | 1 |
| Percentage | 18% | 55% | 9% | 9% | 0% | 9% |

Recommendation tracker

| Analitik | Fundamental Recommendation | Relative Recommendation | Report date | Reiteration date | Distribution date | Price at issue/reiteration* | EFV (12 months) |
|-----------------|----------------------------|-------------------------|-------------|------------------|-------------------|-----------------------------|-----------------|
| Brand24 | | | | | | | |
| Sobiestaw Pajak | Not rated | Not rated | 15.08.2021 | - | 16.08.2021 | 24.80 | 32.10 - |
| Sobiestaw Pajak | - | - | - | 31.08.2021 | 31.08.2021 | 25.90 | 32.10 → |
| Sobiestaw Pajak | - | - | - | 01.10.2021 | 01.10.2021 | 25.00 | 31.30 ↓ |
| Sobiestaw Pajak | - | - | - | 07.10.2021 | 07.10.2021 | 25.50 | 31.30 → |
| Sobiestaw Pajak | - | - | - | 04.11.2021 | 04.11.2021 | 21.80 | 31.30 → |
| Sobiestaw Pajak | - | - | - | 05.12.2021 | 06.12.2021 | 21.90 | 31.30 → |
| Sobiestaw Pajak | - | - | - | 16.01.2022 | 17.01.2022 | 25.50 | 31.30 → |
| Sobiestaw Pajak | - | - | - | 07.02.2022 | 07.02.2022 | 23.60 | 31.30 → |
| Sobiestaw Pajak | - | - | - | 28.02.2022 | 28.02.2022 | 21.90 | 31.30 → |
| Sobiestaw Pajak | - | - | - | 14.04.2022 | 14.04.2022 | 25.00 | 31.30 → |
| Sobiestaw Pajak | - | - | - | 10.05.2022 | 10.05.2022 | 24.20 | 30.50 ↓ |
| Sobiestaw Pajak | - | - | - | 26.05.2022 | 26.05.2022 | 23.80 | 30.50 → |
| Sobiestaw Pajak | - | - | - | 15.07.2022 | 15.07.2022 | 21.90 | 30.50 → |
| Sobiestaw Pajak | - | - | - | 16.08.2022 | 16.08.2022 | 22.40 | 30.50 → |
| Sobiestaw Pajak | - | - | - | 02.09.2022 | 02.09.2022 | 19.95 | 30.50 → |
| Sobiestaw Pajak | - | - | - | 28.09.2022 | 29.09.2022 | 19.35 | 28.20 ↓ |
| Sobiestaw Pajak | - | - | - | 07.10.2022 | 07.10.2022 | 23.00 | 28.20 → |
| Sobiestaw Pajak | - | - | - | 28.10.2022 | 28.10.2022 | 22.00 | 28.20 → |
| Sobiestaw Pajak | - | - | - | 04.12.2022 | 05.12.2022 | 23.50 | 31.60 ↑ |
| Sobiestaw Pajak | - | - | - | 13.01.2023 | 13.01.2023 | 24.00 | 31.60 → |
| Sobiestaw Pajak | - | - | - | 03.02.2023 | 03.02.2023 | 25.00 | 31.60 → |
| Sobiestaw Pajak | - | - | - | 10.03.2023 | 10.03.2023 | 26.90 | 31.60 → |
| Sobiestaw Pajak | - | - | - | 30.03.2023 | 30.03.2023 | 25.70 | 37.20 ↑ |
| Sobiestaw Pajak | - | - | - | 29.05.2023 | 29.05.2023 | 33.70 | 37.20 → |
| Sobiestaw Pajak | - | - | - | 14.07.2023 | 14.07.2023 | 36.90 | 37.20 → |
| Sobiestaw Pajak | - | - | - | 31.08.2023 | 31.08.2023 | 33.50 | 37.20 → |
| Sobiestaw Pajak | - | - | - | 03.10.2023 | 03.10.2023 | 36.00 | 48.80 ↑ |
| Sobiestaw Pajak | - | - | - | 12.10.2023 | 12.10.2023 | 37.00 | 48.80 → |
| Sobiestaw Pajak | - | - | - | 06.11.2023 | 06.11.2023 | 35.90 | 48.80 → |
| Sobiestaw Pajak | - | - | - | 10.12.2023 | 11.12.2023 | 36.30 | 48.80 → |
| Sobiestaw Pajak | - | - | - | 09.01.2024 | 09.01.2024 | 36.90 | 48.80 → |
| Sobiestaw Pajak | - | - | - | 01.02.2024 | 01.02.2024 | 44.80 | 48.80 → |
| Sobiestaw Pajak | - | - | - | 29.02.2024 | 29.02.2024 | 40.50 | 48.80 → |
| Sobiestaw Pajak | - | - | - | 04.04.2024 | 04.04.2024 | 47.20 | 48.80 → |
| Sobiestaw Pajak | - | - | - | 09.04.2024 | 09.04.2024 | 48.80 | 56.20 ↑ |
| Sobiestaw Pajak | - | - | - | 06.05.2024 | 06.05.2024 | 44.40 | 56.20 → |
| Sobiestaw Pajak | - | - | - | 29.05.2024 | 29.05.2024 | 45.20 | 56.20 → |
| Sobiestaw Pajak | - | - | - | 12.07.2024 | 12.07.2024 | 47.00 | 56.20 → |
| Sobiestaw Pajak | - | - | - | 12.08.2024 | 12.08.2024 | 46.30 | 56.20 → |
| Sobiestaw Pajak | - | - | - | 24.09.2024 | 24.09.2024 | 46.00 | 56.20 → |
| Sobiestaw Pajak | - | - | - | 11.10.2024 | 11.10.2024 | 47.00 | 56.20 → |
| Sobiestaw Pajak | Discontinued | - | 18.10.2024 | - | 18.10.2024 | 47.30 | - - |

*prices at issue/reiteration are the closing prices at the report or reiteration date

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The production of the report was completed on October 18, 2024 at 5.30 p.m.
The report was distributed on October 18, 2024 at 5.40 p.m.

The report is an investment research within the meaning of Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.

This report constitutes a recommendation within the meaning of Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest. This report is for information purposes only.

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DM BOŚ SA has not held any long or short position net exceeding 0.5% of the issuer's basic capital in total with respect to the company/companies indicated.

DM BOŚ SA is the market maker and liquidity provider with respect to financial instruments for the stock of Brand24.

During the last 12 months DM BOŚ SA rendered investment services on behalf of Brand24 pursuant to the agreement signed and received a remuneration by virtue of this.

Apart from the mentioned above cases, there are neither ties of any kind between DM BOŚ SA, the analyst/ analysts involved in the preparation of the report and the issuer(s) of securities as referred to in the report nor circumstances that can justifiably be expected to have a negative impact on objectivity of the recommendation with regard to interests or conflicts of interests on their part or on the part of any natural person or legal entity which pertains to the financial instrument or the issuer.

The report was not shown to the analyzed company before the distribution of the report.

The history of all recommendations issued by DM BOŚ SA in the last 12 months can be found at the following link: <https://bossa.pl/analizy/rekomendacje>

Stockbrokers

Piotr Kalbarczyk
tel.: +48 (22) 504 32 43
p.kalbarczyk@bossa.pl

Research

Sobiesław Pająk, CFA
(Equity strategy, TMT)

Sylvia Jaśkiewicz, CFA
(Construction materials,
Consumer discretionary,
Health care & biotechnology)

Tomasz Rodak, CFA
(Consumer discretionary, Video games)

Łukasz Prokopiuk, CFA
(Commodities (Chemicals, Energy, Mining))

Michał Sobolewski, CFA, FRM
(Financials)

Jakub Viscardi
(Telco, Consumer staples & discretionary,
IT – hardware distribution, Utilities)

Maciej Wewiórski
(Residential construction,
Construction, Real estate)

Mikołaj Stepien
Junior Analyst

Michał Zamel
Junior Analyst

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**Dom Maklerski Banku Ochrony
Środowiska Spółka Akcyjna**
ul. Marszałkowska 78/80
00-517 Warszawa
www.bossa.pl
Information: (+48) 0 801 104 104