TRIGON DOM MAKLERSKI

INDUSTRIALS

Selena FM

Buy
(Previous: Buy; 49 PLN)

Target Price: 50.6 PLN
Current Price: 33.8 PLN
Upside: 50%

3Q24 Earnings
22.11.2024

#3Q24 forecast. Our 2Q24 results were in line with our GP expectations, and we were positively surprised by a 1.5pp increase in GM (35.5% vs. our 34% estimate); the effect of the GP increase was two-thirds offset by higher SG&A expenses. Our 3Q24 forecast assumes continued ca. 5% y/y revenue growth, translating into PLN 515m sales (including ca. PLN 22m revenue at Imperalum), Q3 being the seasonally best quarter of the year. We assume MBnS at 35% (-1.5pp y/y and +0.5pp q/q), the year-over-year margin decline will in our view be related to higher pricing pressure from competitors, which was gradually evident at the end of 2Q24. In addition, we pay attention to raw material prices, in 3Q24 alone they were lower q/q, but in this period raw materials purchased in the previous quarter (2Q24) were used for production, where prices were higher than now and comparable to 1Q24, hence our assumed similar level of MBnS q/q. In addition, we expect to maintain a favourable product mix - sales of higher-margin foams). Looking at the data on building permits issued/delivered space, we expect the Spanish, Portuguese, Italian and Polish markets to perform relatively well (LINK). Despite the fact that most countries have already been allocated NIP funds, thermal modernisation programmes are not yet being launched, which we believe could be influenced by this year's electoral calendar (June's Europarliamentary elections). We expect a significant increase in demand for construction chemicals in 2025 (~10% y/y), which should also be supported by the EU EPBD.

#Commodity prices and margins. Benzene (BNG: POLIBERO; an intermediate for MDI) and propylene (BNG: POLIPRNW; an intermediate for polyols) prices in 3Q24 were EUR 932/t (EUR -160/t q/q, EUR -120/t vs. 1Q24, current spot EUR 835/t) and EUR 900/t (EUR -80/t q/q, EUR -110/t vs. 1Q24, current spot USD 850/t), respectively. MDI prices are holding steady (EUR 2125/t) after the October/November ‘23 decline. In terms of price outlooks for MDI in subsequent periods, the results of Huntsman (5.11) and Coversto (29.10) are worth watching.

#Implications of rising ocean freight prices. We draw attention to ocean freight prices, which peaked in July/August (USD 8300/40ft) and have been on a downward trend since then (currently USD 3600/40ft). In Selena Group, the cost of importing raw materials/semi-finished products/products from China itself is relatively small, purchases of raw materials are made on the basis of price arbitrage in individual markets, however, it may have an impact on the market situation both on the side of customers (DIY channel), who import simpler, lower-margin finished products sold under private labels from China, and competitors, who import production raw materials from China. However, the scale of the turbulence is difficult to estimate.

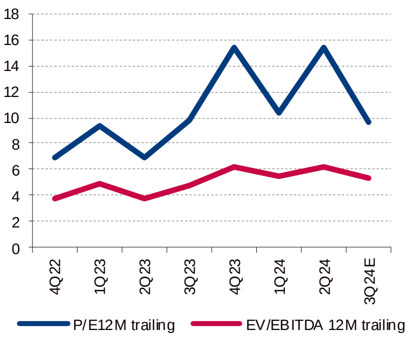
#JV from Masterplast. The investment in the glass wool plant (EUR 47.5m) is progressing according to plan. By the end of this year, the mechanical part of the plant, the installation of which began at the beginning of July, is scheduled to be closed. Commissioning of the line will take place at the beginning of 2025, and we expect the plant to reach its target technical and quality parameters in 2Q25.

#Valuation. We reiterate our BUY rating and raise our target price to PLN 50.6/share (previously PLN 49/share). Our cumulative EBITDA/net forecast for 2024-2026 not materially changed.

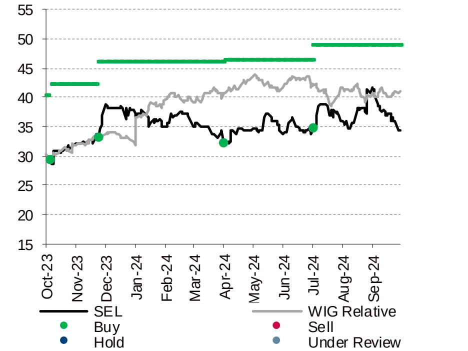
FACT SHEET			
Ticker	SEL		
Sector	Building chemicals		
Sector	33.8		
52W range (PLN)	22.6 / 39.9		
Shares outstanding (m)	22.8		
Market Cap (PLNm)	772		
S&P Global ESG Scores	-		
3M Avg. Vol. (PLNm)	0.08		
Price perf.	1M	3M	1Y
	-4.7%	3.0%	45.5%

RECOMMENDATIONS	Date	Valuation
Buy	19.07.2024	49.0
Buy	19.04.2024	46.4
Buy	11.12.2023	46.2
Buy	23.10.2023	42.5
Buy	14.09.2023	40.4

P/E 12M vs EV/EBITDA 12M



RELATIVE SHARE PRICE vs WIG



PLNm	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24E	y/y	q/q
Revenues	569.0	473.5	412.2	452.5	491.6	422.1	400.3	474.2	516.4	5%	9%
EBITDA	79.4	44.2	9.9	38.6	80.7	19.3	38.1	54.8	74.8	-7%	36%
EBIT	67.6	33.1	0.4	28.7	70.5	8.4	27.5	43.8	63.7	-10%	45%
Net profit	46.4	17.3	-5.1	11.9	54.9	-11.6	19.1	25.1	47.1	-14%	88%
P/E12M trailing	6.1	6.9	9.4	6.9	9.8	15.4	10.4	15.4	9.7		
EV/EBITDA 12M trailing	5.0	3.8	4.9	3.8	4.8	6.2	5.4	6.2	5.4		
revenues growth y/y	15%	6%	-2%	-9%	-14%	-11%	-3%	5%	5%		
EBITDA margin	14.0%	9.3%	2.4%	8.5%	16.4%	4.6%	9.5%	11.6%	14.5%		
EBIT margin	11.9%	7.0%	0.1%	6.4%	14.3%	2.0%	6.9%	9.2%	12.3%		
Net profit margin	8.2%	3.6%	-	2.6%	11.2%	-	4.8%	5.3%	9.1%		

PLNm	2021	2022	2023	2024E	2025E	2026E
Revenues	1,728.4	1,963.3	1,778.4	1,827.1	1,983.9	2,079.9
EBITDA	136.8	199.2	148.5	174.0	186.7	197.3
EBIT	92.7	153.6	108.1	130.1	141.0	150.8
Net profit	102.7	112.1	50.1	83.4	94.2	109.6
EPS (PLN)	4.50	4.9	2.2	3.7	4.1	4.8
DPS (PLN)	0.0	0.0	1.3	1.4	1.2	1.2
P/E (x)	7.5	6.9	15.4	9.2	8.2	7.0
EV/EBITDA (x)	6.2	3.8	6.2	5.5	5.0	4.4
P/BV (x)	1.3	1.1	1.1	1.0	0.9	0.9
DY (%)	0.0%	0.0%	3.9%	4.2%	3.6%	3.6%

Łukasz Rudnik lukasz.rudnik@trigon.pl

Valuation	Current		Previous		Change
DCF	50.6	100%	49.0	100%	3%
Multiples	48.0	0%	59.0	0%	-19%

	2024E			2025E			2026E		
PLNm	Curr.	Prev.	Chg.	Curr.	Prev.	Chg.	Curr.	Prev.	Chg.
Revenues	1827	1821	0%	1984	1991	0%	2080	2087	0%
EBITDA	174	172	1%	187	187	0%	197	198	0%
EBIT	130	129	1%	141	142	-1%	151	152	-1%
Net profit	83	80	4%	94	94	0%	110	111	-1%
P/E (x)	9.2	9.6		8.2	8.2		7.0	7.0	
EV/EBITDA (x)	5.5	5.5		5.0	5.0		4.4	4.4	
P/BV (x)	1.1			1.0			0.9		
DY (%)	4.2%			3.6%			3.6%		

Multiples	2022	2023	2024E	2025E	2026E
P/E (x)	6.9	15.4	9.2	8.2	7.0
adj. P/E (x)	7.8	21.7	9.3	8.2	7.0
P/BV (x)	1.1	1.1	1.0	0.9	0.9
EV/EBITDA (x)	3.8	6.2	5.5	5.0	4.4
adj. EV/EBITDA (x)	4.1	7.1	5.5	5.0	4.4
EV/Sales (x)	0.4	0.5	0.5	0.5	0.4
FCF Yield (%)	20.4%	2.8%	5.1%	8.0%	11.7%
DY (%)	0.0%	3.9%	4.2%	3.6%	3.6%

KPIs	2022	2023	2024E	2025E	2026E
EPS (PLN)	4.9	2.2	3.7	4.1	4.8
adj. EPS (PLN)	4.4	1.6	3.6	4.1	4.8
DPS (PLN)	0.0	1.3	1.4	1.2	1.2
BVPS (PLN)	31.3	30.6	32.8	35.7	39.3

Operational ratios	2022	2023	2024E	2025E	2026E
Gross margin (%)	30.1%	30.9%	32.8%	32.1%	32.0%
adj. EBITDA margin (%)	9.3%	7.3%	9.5%	9.4%	9.5%
EBIT margin (%)	7.8%	6.1%	7.1%	7.1%	7.2%
Net profit adj. margin (%)	5.1%	2.0%	4.6%	4.8%	5.3%
ROE (%)	17.0%	7.1%	11.5%	12.1%	12.8%
ROA (%)	9.8%	4.1%	6.2%	6.6%	7.4%
CAPEX/Sales (%)	1.9%	3.3%	4.3%	3.0%	2.6%
CAPEX/D&A (x)	0.8	1.4	1.8	1.3	1.2
Net debt/Equity (x)	0.0	0.2	0.2	0.2	0.1
Net debt/EBITDA (x)	-0.1	1.0	1.0	0.8	0.5
Cash conversion cycle (days)	67	62	64	64	64
Inventory turnover (days)	50	48	38	38	38
Receivables turnover (days)	54	59	62	62	62
Payables turnover (days)	38	44	35	35	35

Income Statement (PLNm)	2021	2022	2023	2024E	2025E	2026E
Revenues	**1,728**	**1,963**	**1,778**	**1,827**	**1,984**	**2,080**
COGS	1,249	1,373	1,228	1,228	1,346	1,414
Gross Profit	**480**	**591**	**550**	**599**	**638**	**666**
Selling costs	270	308	307	315	340	354
G&A costs	126	145	153	155	157	161
Profit on sales	83	138	90	130	141	151
Other operating items, net	9	16	18	0	0	0
EBITDA	**137**	**199**	**149**	**174**	**187**	**197**
adj. EBITDA	**127**	**183**	**130**	**174**	**187**	**197**
D&A	44	46	40	44	46	47
EBIT	**93**	**154**	**108**	**130**	**141**	**151**
Net financial costs	-7	-22	-50	-24	-21	-17
EBT	**88**	**134**	**55**	**107**	**120**	**138**
Income tax	14	-22	-5	-23	-24	-28
Minority interest	0	0	0	1	2	1
Net profit	**103**	**112**	**50**	**83**	**94**	**110**
adj. net profit	**95**	**99**	**36**	**83**	**94**	**110**

Balance Sheet (PLNm)	2021	2022	2023	2024E	2025E	2026E
Non-current Assets	**368**	**407**	**597**	**647**	**662**	**670**
Current Assets	**740**	**764**	**689**	**744**	**800**	**835**
Inventories	280	262	203	250	272	285
Receivables	305	276	298	308	335	351
Cash and cash equivalents	96	158	86	91	99	104
Assets	**1,109**	**1,171**	**1,286**	**1,391**	**1,462**	**1,505**
Equity	**601**	**715**	**698**	**749**	**815**	**898**
Minority Interests	**1**	**3**	**3**	**4**	**6**	**7**
Non-current Liabilities	**80**	**86**	**107**	**161**	**151**	**124**
Long-term borrowings	66	72	87	140	130	103
Current Liabilities	**426**	**367**	**478**	**478**	**489**	**476**
Short-term borrowings	112	62	149	133	124	98
Payables	198	208	224	232	252	264
Equity and Liabilities	**1,109**	**1,171**	**1,286**	**1,391**	**1,462**	**1,505**

Cash Flow Statement (PLNm)	2021	2022	2023	2024E	2025E	2026E
Cash flow from operating activities	**-30**	**190**	**84**	**128**	**134**	**157**
Changes in working capital	-130	57	54	-49	-29	-17
D&A	44	46	40	44	46	47
Cash flow from investing activities	**-36**	**-38**	**-117**	**-96**	**-60**	**-55**
CAPEX	-33	-37	-58	-79	-60	-55
Cash flow from financing activities	**49**	**-91**	**7**	**-24**	**-66**	**-97**
Dividend/Buy-back	0	0	-30	-32	-27	-27
Net change in cash	-17	61	-26	9	8	5
Cash opening balance	113	96	158	132	85	93
Cash closing balance	96	158	132	140	93	97

Łukasz Rudnik lukasz.rudnik@trigon.pl

Valuation

#DCF

DCF VALUATION (PLNm)	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Revenues	1778	1827	1984	2080	2150	2220	2280	2336	2393	2450	2502
Y/Y	*-9%*	*3%*	*9%*	*5%*	*3%*	*3%*	*3%*	*2%*	*2%*	*2%*	*2%*
EBITDA	149	174	187	197	204	210	214	217	220	224	226
EBITDA margin	*8.4%*	*9.5%*	*9.4%*	*9.5%*	*9.5%*	*9.4%*	*9.4%*	*9.3%*	*9.2%*	*9.1%*	*9.0%*
EBIT	108	130	141	151	156	162	166	169	172	175	177
EBIT margin	*6.1%*	*7.1%*	*7.1%*	*7.2%*	*7.3%*	*7.3%*	*7.3%*	*7.2%*	*7.2%*	*7.1%*	*7.1%*
NOPLAT	**88**	**105**	**114**	**122**	**127**	**131**	**134**	**137**	**139**	**142**	**143**
Tax rate	*19%*	*19%*	*19%*	*19%*	*19%*	*19%*	*19%*	*19%*	*19%*	*19%*	*19%*
D&A	40	44	46	47	47	48	48	48	48	49	49
CAPEX		-79	-60	-55	-50	-50	-50	-50	-50	-50	-49
Changes in working capital		-49	-29	-17	-13	-13	-11	-10	-10	-10	-9
FCF		**21**	**71**	**97**	**112**	**116**	**122**	**125**	**128**	**130**	**134**
D/(E+D)		26.7%	23.8%	18.3%	16.9%	15.8%	14.8%	13.9%	13.1%	12.4%	11.8%
Beta leverage		1.3	1.3	1.2	1.2	1.2	1.1	1.1	1.1	1.1	1.1
Cost of debt after tax		5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%
Cost of equity		13.3%	13.0%	12.6%	12.5%	12.4%	12.3%	12.3%	12.2%	12.2%	12.2%
WACC		11.2%	11.3%	11.3%	11.3%	11.3%	11.4%	11.4%	11.4%	11.4%	11.4%
Discount ratio		0.90	0.81	0.73	0.65	0.59	0.53	0.47	0.42	0.38	0.34

Cum. DFCF	**560**
Residual growth rate	1.5%
Discounted Residual Value	**468**
Enterprise Value	**1028**
Ned debt (-)	61
Dividend (-)	32
Minority Interests (-)*	8
Equity Value (1.1.2024)	**927**
Equity Value (22.10.2024)	**1026**
Shares outstanding (m)	22.8
Equity Value per share (22.10.2024)	44.9
12M Target Price (PLN)	**50.6**
Curr. share price	41.3
Upside / (downside)	**22.5%**

		WACC				
		10.3%	10.8%	11.3%	11.8%	12.3%
	0.0%	52.9	49.8	46.9	44.3	41.9
	0.5%	54.4	51.1	48.0	45.3	42.8
	1.0%	56.0	52.5	49.3	46.4	43.8
g	1.5%	57.8	54.0	50.6	47.6	44.8
	2.0%	59.8	55.8	52.1	48.9	45.9
	2.5%	62.1	57.7	53.8	50.3	47.2
	3.0%	64.7	59.9	55.7	51.9	48.6

Source: Trigon DM

DCF model assumption:

- Market premium 6%
- Risk free rate 5,5%
- Unleverage beta 1x
- Residual growth rate 1,5%

#Multiple

	P/E			EV/EBITDA			EV/EBIT		
Company	**2024E**	**2025E**	**2026E**	**2024E**	**2025E**	**2026E**	**2024E**	**2025E**	**2026E**
Selena	10.8	9.6	8.2	6.2	5.7	5.1	8.3	7.5	6.6
Median	**14.2**	**12.0**	**11.0**	**8.0**	**7.4**	**6.8**	**11.3**	**9.9**	**8.9**
premium / (discount)	-24%	-20%	-25%	-22%	-24%	-25%	-26%	-24%	-25%
Materiały budowlane - Polska	**11.2**	**8.9**	**7.8**	**6.7**	**5.9**	**5.3**	**9.8**	**8.2**	**7.2**
Grupa Kęty	13.0	11.0	10.2	9.5	8.0	7.5	12.1	10.0	9.2
Snieżka	10.7	9.7	8.7	6.8	6.0	5.4	8.9	7.8	6.9
Ferro	9.5	7.9	6.8	6.5	5.7	5.1	7.7	6.7	6.0
Pekabex	---	---	---	---	---	---	---	---	---
Rawlplug	11.8	8.1	6.6	6.7	5.8	5.2	10.6	8.7	7.5
Materiały budowlane - zagranic	**17.1**	**15.1**	**14.2**	**9.3**	**8.9**	**8.3**	**12.9**	**11.7**	**10.5**
3M	18.4	17.1	16.2	11.8	11.5	10.7	15.5	14.4	13.4
Sika	32.1	28.6	25.0	19.7	17.7	15.7	25.6	22.7	19.8
Saint-Gobain	13.4	12.4	11.4	7.3	6.7	6.2	10.0	9.0	8.1
Henkel	16.2	15.1	14.2	9.3	8.6	8.0	11.7	10.7	9.8
Kingspan	23.0	20.4	18.2	14.7	13.0	11.4	19.0	16.6	14.5
Akzo Nobel	15.9	14.1	12.5	9.9	9.0	8.3	13.1	11.7	10.5
RPM	24.5	23.1	21.2	16.0	14.8	13.8	18.9	17.4	16.0
Rockwool	17.7	17.4	16.7	9.3	8.9	8.4	12.9	12.7	11.8
Sto SE	17.1	13.4	11.6	5.1	4.2	3.8	9.6	7.1	6.1
Steico	11.5	14.2	11.4	5.9	6.3	5.2	9.6	10.4	9.3
Uzin UTZ	10.5	9.8	9.3	5.3	4.9	4.7	8.0	7.1	6.8
Partial year valuation	**1,183**	**1,132**	**1,203**	**1,215**	**1,230**	**1,242**	**1,294**	**1,246**	**1,239**
Year weight	33%	33%	33%	33%	33%	33%	33%	33%	33%
Partial multiple valuation		**1,173**			**1,229**			**1,260**	
Multiple weight		50%			50%			0%	

Current valuation (PLNm)	**1,201**
No. Shares	26.8
Current valuation per share	43.8
12mth TP	**48**

Source: Bloomberg, Trigon DM

Risk factors:

(1) Exchange rates. Production realised in Poland represents approximately 45% of total sales, while the market share of sales in the Polish market is <30%. The ratio of raw material consumption costs to realised revenues is approximately 50% and purchases are mainly made in EUR and USD. However, a significant proportion of foreign currency costs overlap with realised revenues, and high exchange rate volatility makes it difficult to implement an optimal purchasing strategy.
(2) Competitive pressures. In the past, weak market conditions have led to increased competitive and pricing pressure from some players, resulting in reduced margins in the industry. In addition, more aggressive pricing by competitors may lead to a redistribution of market shares among individual players.
(3) Raw material prices. The market for raw material suppliers is highly consolidated and the company is therefore a market price taker. Our strategy of multi-sourcing, i.e. sourcing from a number of different sources depending on local market prices, allows us to optimise our purchasing structure to a large extent in terms of the margins we can achieve.
(4) Situation in the construction market. The company's sales are mainly focused on the housing and volume construction markets. High interest rates are leading to a reduction in the volume of new housing purchases and a reduction in the realisation of cubature investments, as investors find it difficult to access finance. In turn, high inflation limits the purchasing power of consumers, who postpone home improvements.
(5) Risk of unsuccessful M&A. The company's strategy is based on the implementation of mergers and acquisitions of companies with a similar business profile (foams, adhesives, sealants) in markets where the company's presence is negligible and on market shares in the area of complementary product offerings (e.g. glass wool). There is a risk that the acquired businesses will not meet the Board's performance expectations.

Trigon Dom Maklerski S.A.

Plac Unii, Budynek B, ul. Puławska 2, 02-566 Warszawa

T: +48 22 330 11 11 | **F:** +48 22 330 11 12

W: http://www.trigon.pl | **E:** recepcja@trigon.pl

CEE EQUITY RESEARCH

Grzegorz Kujawski, Head of Research
Consumer, E-commerce, Financials

Maciej Marcinowski, Deputy Head of Research
Strategy, Banks, Financials

Kacper Kopron
Gaming, TMT

Katarzyna Kosiorek
Biotechnology

Michał Kozak
Oil&Gas, Chemicals, Utilities

Dominik Niszcz
TMT, E-commerce

Łukasz Rudnik
Industrials, Metals&Mining

David Sharma
Construction, Real Estate

Piotr Rychlicki
Junior Analyst

Piotr Chodyra
Junior Analyst

EQUITY SALES

Grzegorz Skowroński

SALES TRADING

Paweł Szczepański, Head of Sales

Michał Sopiński, Deputy Head of Sales

Paweł Czupryński

Hubert Kwiecień

Disclaimer

General information

The Document has been prepared by Trigon Dom Maklerski S.A. (the "Brokerage House"), for renumeration, on behalf of Warsaw Stock Exchange S.A. (the "WSE"), based on agreement for the provision of services for the preparation of analytical reports (the "Agreement"), which is supervised by the Polish Financial Supervision Authority.
In the first place, the Document is addressed to selected clients of the Brokerage House who use its services in the area of research and recommendations. It may, however, be distributed to a wider public from the date specified therein (by posting it on the Brokerage House website, providing it to entities that may quote it in media, in whole or in parts as they see fit, or otherwise) as a recommendation within the meaning of the Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC Text with EEA relevance ("Regulation").

Glossary of professional terms:
capitalisation – market price multiplied by the number of a company's shares
free float (%) – percentage of a company's shares held by shareholders with less than 5% of total voting rights attached to the shares, reduced by treasury shares held by the company
min/max 52 wks – lowest/highest share price over the previous 52 weeks
average turnover – average volume of share trading over the previous month

EBIT – operating profit
EBITDA – operating profit before depreciation and amortisation
adjusted profit – net profit adjusted for one-off items
CF – cash flow
CAPEX – sum of investment expenditures on fixed assets
OCF – cash generated through a company's operating activities
FCF – cash generated by a company after accounting for cash outflows to support its operations and maintain capital assets
ROA – rate of return on assets
ROE – rate of return on equity
ROIC – rate of return on invested capital
NWC – net working capital
cash conversion cycle – length of time it takes for a company to convert its cash investments in production inputs into cash revenue from sale of its products or services
gross profit margin – ratio of gross profit to net revenue
EBITDA margin – ratio of the sum of operating profit and depreciation/amortisation to net revenue
EBIT margin – ratio of operating profit to net revenue
net margin – ratio of net profit to net revenue
EPS – earnings per share
DPS – dividend per share
P/E – ratio of market price to earnings per share
P/BV – ratio of market price to book value per share
EV/EBITDA – ratio of a company's EV to EBITDA
EV – sum of a company's current capitalisation and net debt
DY – dividend yield, ratio of dividends paid to share price
RFR – risk free rate
WACC – weighted average cost of capital

Recommendations of the Brokerage House
Issuer – SELENA FM S.A.
BUY – we expect the total return on an investment to reach at least 15%
HOLD − we expect the price of an investment to be largely stable, with potential upside of up to 15%
SELL – we expect negative total return on an investment of more than -0%

Recommendations of the Brokerage House are valid for a period of 12 months from their issuance or until the price target of the financial instrument is achieved.
The Brokerage House may update its recommendations at any time, depending on the prevailing market conditions or the judgement of persons who produced a given recommendation.
Short-term recommendations (particularly those designated as speculative) may be valid for shorter periods of time. Short-term recommendations designated as speculative involve a higher investment risk.
Document prepared by: Łukasz Rudnik

Valuation methods used
SOTP – sum-of-the-parts method, which consists in valuing a company by valuing its individual business lines separately and then summing them up.
- Advantages: different valuation methods can be applied to diverse business lines; the approach is useful for assessing the value of a company e.g. in the case of planned acquisition or restructuring.
- Disadvantages: the peer group for individual business lines is usually limited, the method does not adequately account for synergies between business segments.

Risk-adjusted net present value method (rNPV)
- Advantages: accounting for probabilities assigned to future cash flows, providing a more realistic assessment of the present value of future cash flows and reflecting business-specific factors, especially in the case of innovative companies.
- Disadvantages: subjectivity involved in the adoption of a discount rate, significant reliance on a number of assumptions, high level of complexity in the calculations and exclusion of qualitative factors from the valuation.

Discounted residual income method (DRI)
- Advantages: valuation based on the excess of income over risk-adjusted opportunity cost to owners of capital, the method can be applied to companies that do not pay dividends or generate positive FCF.
- Disadvantages: significant reliance on subjective judgements and assumptions, as well as sensitivity of the valuation to any changes in those variables.

Discounted dividend model (DDM)
- Advantages: accounting for real cash flows to equity owners, the model works best for companies with a long history of dividend distribution.
- Disadvantages: the method can be applied to dividend-paying companies only, it is not suitable for companies with a short history of dividend distribution.

Net asset value method (NAV)
- Advantages: the approach is particularly relevant to holding companies with significant property, plant and equipment assets, the calculation of NAV is relatively straightforward.
- Disadvantages: the method neglects future revenue or earnings potential and may not properly reflect the value of intangible assets.

Target multiple method
- Advantages: the method can be applied to any company.
- Disadvantages: it involves a high degree of subjectivity.

Replacement value method – it assesses the value of a company based on the costs of replacing its assets.
- Advantages: the method is particularly relevant to companies with significant property, plant and equipment assets.
- Disadvantages: it may be hard to capture the value of a company's intangible assets, reputation and market potential.

Liquidation value method – the sum of prices that the business would receive upon selling its individual assets on the open market.
- Advantages: the method can capture the lowest threshold of a company's value.
- Disadvantages: it may be hard to capture the value of a company's intangibles.

Basis of the valuation or methodology and the underlying assumptions used to evaluate the financial instrument or the issuer, or to set a price target for the financial instrument: discounted cash flow model
The valuation, methodology or underlying assumptions have not changed since the date when this Document was completed and first disseminated.
This Document was not disclosed to the issuer and subsequently amended. This Document has remained unchanged since the day it was completed and first disseminated.
The Research Team, which produces recommendations, relies exclusively on verified sources, publicly available as part of commercial knowledge bases and databases (periodic reports of issuers, Bloomberg, Reuters, Statistics Poland), as well as in-house analyses.
For detailed information on the valuation or methodology and underlying assumptions, as well as any previous recommendations concerning the Issuer's financial instruments disseminated during the preceding 12 months, go to the Brokerage House's website at www.trigon.pl.

Legal disclaimers, disclaimers related to risks

The Brokerage House believes that this Document has been objectively presented, with due care and attention and with the avoidance of potential conflicts of interest. The Brokerage House bears no liability for any inaccuracy or misjudgement that may nevertheless be found in this Document. In particular, the Brokerage House bears no liability for any damage suffered as a result of investment decisions made in reliance on information contained in this Document.
This Document does not address the individual needs or circumstances of any investor, nor is it an indication that any investment is suitable for a given investor. Accordingly, the conclusions drawn based on this Document may prove inappropriate for that particular investor.
The Brokerage House bears no liability for the way in which information contained in this Document is used. Historical data presented in this Document relate to the past, but past performance is no guarantee that similar results will be achieved in the future. Forward looking data may prove inaccurate, as they are merely an expression of the judgement of individuals speaking on behalf of the entity covered by this report or result from the Brokerage House's own judgement.
Anyone intending to use the information or conclusions contained in this Document is advised to rely on their own judgement, consider information other than that provided in this Document, verify the presented information on their own, asses the risks related to decision-making based on this Document; and consider consulting an independent analyst, investment adviser or other professional with relevant expertise.
Unless this Document indicates otherwise, information contained herein should not be regarded as authorised or approved by the entity to which it relates, as the conclusions and opinions contained herein are solely those of the Brokerage House.
Actual or potential conflicts of interest are managed by the Brokerage House through relevant arrangements provided for in the Regulation on Recommendations. In particular, in order to prevent or manage conflicts of interest, the Brokerage House has set up organisational barriers, as required by the applicable laws and regulations, compliance with which is monitored by the Compliance Department.
The key document governing the process of managing potential conflicts of interest at the Brokerage House is the "Conflicts of Interest Policy of Trigon Dom Maklerski S.A." For detailed information on the Policy, go to www.trigon.pl.
The Brokerage House has developed and put in place mechanisms ensuring that conflicts of interest are managed through legal and administrative barriers designed to limit the flow of information between various organisational units/individuals employed by the Brokerage House or other persons.
In particular, the Research Team operates as an organisationally, functionally and physically separate, independent organisational unit of the Brokerage House.
The Brokerage House believes that the organisational arrangements put in place ensure that the contents of a recommendation remain confidential until it is released.
As at the date of this Document:

- there are no conflicts of interest between the Brokerage House and/or persons involved in producing this Document or having access to this Document prior to its publication (the Brokerage House's employees, service providers and other associated persons) and the Issuer
- the Brokerage House does not hold shares of Issuer
- The Brokerage does not act as an issuer's market maker for Issuer
- the Brokerage House does not provide the Issuer or its affiliates with financial advisory, investment banking or other brokerage services
- the Brokerage House does not perform the following services with respect to the Issuer's financial instruments covered by this Document

i) research and recommendation services concerning the Issuer's financial instruments
ii) offering the financial instruments on the primary market or in an IPO over the 12-month period preceding the publication of this Document
iii) buying or selling the financial instruments for its own account in the performance of tasks related to the operation of a regulated market
iv) buying or selling the financial instruments for its own account in the performance of standby or firm commitment underwriting agreements

with the reservation that the Brokerage House may at any time offer or provide its services to the Issuer

- there are no persons among those involved in producing the recommendation, or those who did not take part in its production but had or could have access to the recommendation, who would hold shares in the Issuer representing 5% or more of its share capital or financial instruments whose value is materially linked to the value of financial instruments issued by the Issuer
- no members of the governing bodies of the Issuer or their close persons are members of the governing bodies of Trigon Dom Maklerski S.A.
- none of the persons involved in producing the report serves in the governing bodies of the Issuer, holds a managerial position in, or is a close person of any member of the governing bodies of the Issuer; moreover, none of those persons or their close persons is party to any agreement with the Issuer that would be executed on terms and conditions different from those of other agreements executed between the Issuer and consumers.

Brokerage in the last 12 months Brokerage have not received dividend from Issuer.
The remuneration of persons involved in producing this Document is not linked to the financial results achieved by the Brokerage House on transactions in the Issuer's financial instruments performed by the Brokerage House. Employees of the Brokerage House involved in producing the recommendation:

- do not receive remuneration that is directly tied to transactions in the Brokerage House's services set out in Sections A and B of Annex I to Directive 2014/65/EU or other type of transaction the Brokerage House or any legal person that is part of the same group performs, or to trading fees the Brokerage House or any legal person that is part of the same group receives
- do not receive or buy shares in the Issuer prior to a public offering of such shares.

The Brokerage House or its affiliates may take part in transactions related to the Issuer's financing, provide services to the Issuer, intermediate in the provision of services by the Issuer, and have the possibility of executing or execute transactions in financial instruments issued by the Issuer or its affiliates, also prior to the presentation of this Document to its recipients.
There are no other circumstances potentially leading to conflicts of interest that would be subject to disclosure under the Regulation on Recommendations.
The Brokerage House pays careful attention to numerous risks related to investments in financial instruments. Investing in financial instruments carries a high degree of risk of losing some or all funds invested.

It is assumed that each person (organisational unit) that receives, accepts or consents to receiving this Document, by doing so:

- accepts every disclaimer stated above;
- confirms that they have read the Trigon Dom Maklerski S.A. Terms and Conditions of Research and Recommendation Services (available at: www.trigon.pl, referred to as the "Terms & Conditions") and accepts them;
- agrees to be provided with a one-time research and recommendation service by the Brokerage House through receiving access to this Document, in accordance with the Terms & Conditions and subject to the disclaimers contained in or published with this Document, with the proviso that: (1) the service is limited to the free-of-charge provision of this Document and use of this Document by its recipient, (2) the service contract is valid only for the time of using this Document by its recipient.

This Document is not an offer within the meaning of Art. 66 of the Polish Civil Code, does not purport to provide any investment, legal or accounting advice, does not constitute an advertisement, an offer to sell or a solicitation of offers to subscribe for or purchase any financial instruments, nor is it a basis for entering into any other agreement or creating any other obligation.

Date and time when the production of the recommendation was completed: 2024-10-22 08:50
Date and time when it was first disseminated: 2024-10-22 08:50