Skarbiec Holding

Agreement to purchase 100% stake in Noble Securities

Michał Fidelus
michal.fidelus@pekao.com.pl

- Today morning Skarbiec Holding informed, that signed an initial agreement with a liquidator of Getin Noble Bank **for a purchase of 100% stake in Noble Securities**.
- Purchase **price was set at maximum PLN 46m** and will be driven by value of dividends paid from Noble Securities to a current shareholder from 2023/24 earnings.
- From Skarbiec Holding point of view, **acquisition will be made from equity.**
- In a current report Skarbiec Holding underlined, that acquisition of Noble Securities is in line with the company's strategy and will help the company diversify sources of revenues**.**
- The agreement needs **approval of Polish FSA** and **Antimonopoly Office.**

Our view: POSITIVE

Our understanding is that price paid is capped at PLN 46m if Noble Securities reports 2024 net profit at PLN >=15m (otherwise it will be lower). In the same time, Skarbiec should be entitled to receive some dividends from 2024 earnings. According to our estimates, there is also some cash on the balance sheet of Noble Securities. In 2022/23 Noble Securities reported net profit of PLN 45/23m. Looking at the current report, we would assume, that 2024 bottom line is likely to reach c. PLN 15-20m, what would imply P/E ratio at only c. 2-3x (excluding dividends). If we assume, that recurrent level of earnings is closer to c. PLN 5-10m (as current results are to some extent supported by high interest rates), P/E ratio still does not look demanding (5-9x).
Noble securities has a strong market position in energy trading, what shall stabilize SKH's earnings in case of deterioration on equity markets. Acquisition will also boost SKH's earnings in coming years and will make a buffer to comfortably continue current restructuring process. We expect also some cross-sell benefits and cost synergies, although we would not assume any revolution to be made in Noble Securities. According to our information, Noble Securities has c. 20-30k of clients vs. c. 80-90k in Skarbiec (excl. PPK). Additionally, Noble Securities has 9-10 retail branches, that – to some extent – will support distribution of products. The deal needs approval from legal authorities.

Noble Securities – Key P&L data, PLN mn

	2021	2022	2023
Revenues from brokerage activity	25.6	22.9	28.0
Costs of brokerage activity	-37.1	-58.2	-58.2
Result on brokerage activity	-11.5	-35.3	-30.2
Result on trading fin. instr.	15.0	65.6	9.5
EBIT	**1.6**	**15.9**	**-18.1**
Net financial income	4.4	43.2	46.8
- incl. Interest income from deposits	4.2	42.9	47.8
Pre-tax profit	**6.0**	**59.1**	**28.6**
Net profit	**4.5**	**45.0**	**23.1**

Source: Company, Pekao Equity Research

DISCLAIMER

Pekao Brokerage Office (BM) is an organizationally separated unit of Bank Polska Kasa Opieki S.A., based in Warsaw, ul. Żubra 1, 01-066 Poland. Bank Polska Kasa Opieki Spółka Akcyjna with its seat in Warsaw, at ul. Żubra 1, 01-066 Warsaw, Poland, entered in the register of entrepreneurs in the District Court for the Capital City of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, KRS: 0000014843, NIP: 526-00-06-841, REGON: 000010205, share capital (entirely paid) in the amount of PLN: 262 470 034.

BM is supervised by Polish Financial Supervision Authority, ul. Piękna 20, 00-549 Warsaw, Poland and is subject to regulations issued by the Financial Supervision Authority as well as by certain other regulators in the European Union.

This research report ("Report") has been prepared by BM as a part of the WSE Research Coverage Support Program (the "Program") and was commissioned by the Warsaw Stock Exchange SA ("WSE"). Information about the Program is available at https://www.gpw.pl/gpwpa. The copyright to the Report is vested in the Warsaw Stock Exchange S.A.. For preparation of the Report, Pekao Brokerage Office will be remunerated by the Warsaw Stock Exchange on the terms specified in the agreement concluded between Pekao Brokerage Office and the Warsaw Stock Exchange.

The investment analysis is public, it is not a general investment advice, nor an investment recommendation provided as part of the investment advisory service, nor a part of portfolio management service. The analyses is given without taking into consideration the needs and circumstances of the Client, in particular when preparing the analyses BM does not examine the Client's investment objectives, level of risk tolerance, time horizon as well as the financial situation of the Clients nor does it assess the suitability of the service.

The investment analysis is based on information obtained from, or are based upon public information sources that we consider to be reliable but for the completeness and accuracy of which we assume no liability. All estimates, projections, forecasts and opinions included in the report represent the independent judgment of the analysts as of the date of the issue. We reserve the right to modify the views expressed herein at any time without notice. Moreover, we reserve the right not to update this information or to discontinue it altogether without notice. While preparing the investment analysis, the company's compliance with the "Best Practices of WSE Listed Companies 2021" was taken into account, based on the GPW IT tool "Best Practices Scanner" - Microsoft Power BI

This investment analysis is for information purposes only and does not constitute an offer to buy, sell or subscribe to any financial instrument on any financial market. It is also not an advertisement.

BM is not responsible for the consequences of investment decisions made on the basis of the investment analysis. The investment analysis does not give any guarantee that a given strategy or price projection is appropriate for a specific Client, and when using it one should not resign from conducting an independent assessment and taking into account risk factors other than those presented. The securities discussed may fluctuate in price or value. Investors may get back less than they invested. Changes in rates of exchange may have an adverse effect on the value of investments. Furthermore, past performance is not necessarily indicative of future results. In particular, the risks associated with an investment in the financial instrument or security under discussion are not explained in their entirety. The use of BM services involves investment risk, described in detail on the website www.pekao.com.pl/biuro-maklerskie

RECOMMENDATION INFORMATION:

This investment analysis is a general recommendation.

This recommendation is an investment research within the meaning of Art. 36 sec. 1 of the Commission Delegated Regulation (EU) 2017/565 and was prepared in accordance with legal requirements ensuring the independence of investment research.

The list of all recommendations on any financial instrument or issuer that were disseminated by BM during the preceding 12-month period, as well as information on the percentage of all investment recommendations issued by the BM, which constitute "buy", "hold", "sell" or equivalent recommendations in the last 12 months, and information about the number of recommendations that can be assigned to each of the above categories, is available at: www.pekao.com.pl/biuro-maklerskie/ratings

This document may not be distributed in Australia, Canada, Japan or the United States, United Kingdom, or any other jurisdiction where such distribution would violate the applicable laws of that jurisdiction or require registration in that jurisdiction.

POTENTIAL CONFLICTS OF INTERESTS:

Current potential conflicts of interests involve following stocks (see definition of keys below):
AB S.A. 3; Alior 3; Allegro 3; Astarta S.A. 3; Asseco Poland 3, 4; CCC 3; CD Projekt 3, 4; Cyfrowy Polsat 3, 4; Dino Polska 3; ENEA 3; ENERGA 3; GPW 3, 4; JSW 3; KGHM 3; LPP 3; Lotos 3; LW Bogdanka 4; mBank 4; Mercator 3; Orange Polska 3, 4; PGE 3; PGNiG 3, 4; PKN Orlen 3; PKO BP 3; PKP Cargo 4; Play 3; Santander Bank Polska 3; Tauron PE 3; Stalprodukt S.A. 3, WP Holding 4;

Glossary:
Key 1: Issuer owns at least 5% of the capital stock of Bank Pekao S.A.
Key 2: BM and/or any legal person part of the same group belonged to has been lead manager or co-lead manager (gwarantem lub współgwarantem) over the previous 12 months of a publicly disclosed offer of financial instruments of the issuer.
Key 3: BM and/or any legal person part of the same group is a market maker or liquidity provider in the financial instruments of the issuer.
Key 4: The analyzed company and BM, and/or any related legal person have concluded an investment research agreement.
Key 5: The analyst or his/her related person is on the supervisory/management board of the company they cover.
Key 6: BM holds a net long position exceeding 0.5% of the total issued share capital of the issuer.
Key 7: BM holds a net short position exceeding 0.5% of the total issued share capital of the issuer.

Analyses may refer to one or several companies in their analyses. In some cases, the analyzed issuers have actively supplied information for this analysis. The investment analysis has not been disclosed to any security issuer prior to its first publication.

The remuneration of BM or persons working for BM, and who were involved in producing the recommendation, is not directly tied to transactions in services of BM set out in Sections A and B of Annex I to Directive 2014/65/EU or other type of transactions BM or any legal person part of the same group performs, or to trading fees BM or any legal person that is part of the same group receives.

Information on the possession of financial instruments or their derivatives by persons participating in the process of preparation of investment recommendation or information that the person making the recommendation is not in possession of such instruments:

Analyst	Position	Financial instrument	Number of instruments	Exposure (long/short)	Average transactions price	Transactions dates
Michał Fidelus	Expert, Analyst	Skarbiec Holding	0			

BM and/or other legal person part of the same group may regularly trade shares of the analyzed company. BM and/or other related legal persons may hold significant open derivative positions on the stocks of the company. Banks and other legal persons in the Pekao Group may have handed out substantial loans to the analyzed company. BM and/or other related legal persons may have a significant financial interest relating to the analyzed company or may have such at any future point of time. Due to the fact that BM and/or any related legal person are entitled, subject to applicable law, to perform such actions at any future point in time which may lead to the existence of a significant financial interest, it should be assumed for the purposes of this information that BM and/or any related legal person will in fact perform such actions which may lead to the existence of a significant financial interest relating to the analyzed company.

The analyzed company and BM and/or any legal person part of the same group may have concluded an agreement relating to the provision of services of investment firms set out in Sections A and B of Annex I to Directive 2014/65/EU of the European Parliament and of the Council in the previous 12 months, in return for which BM and/or such legal person part of the same group received a consideration or promise of consideration or intends to do so. Due to the fact that BM and/or any legal person part of the same group are entitled to conclude, subject to applicable law, an agreement on services relating to the provision of services of investment firms set out in Sections A and B of Annex I to Directive 2014/65/EU of the European Parliament and of the Council with the analyzed company at any future point in time and may receive a consideration or promise of consideration, it should be assumed for the purposes of this information that BM and/or any legal person part of the same group will in fact conclude such agreements and will in fact receive such consideration or promise of consideration.

To prevent or remedy conflicts of interest, BM and/or other legal person part of the same group have established the organizational arrangements required from a legal and supervisory aspect, adherence to which is monitored by its compliance department.

Conflicts of interest arising are managed by legal and physical and non-physical barriers designed to restrict the flow of information between one area/department of BM and/or other related legal persons with them. In particular, Investment Banking units, including corporate finance, capital market activities, financial advisory and other capital raising activities, are segregated by physical and non-physical boundaries from sales units, as well as the research department. Disclosure of known and potential conflicts of interest and other material interests is made in the research. Analysts are supervised and managed on a day-to-day basis by line managers who do not have responsibility for investment banking activities, including corporate finance activities, or other activities involving offering of securities.

METHODS USED TO FORMULATE OUR RECOMMENDATIONS:

Our company valuations are based on two valuation methods selected from among the following: discount model, multiples-based model or asset-based valuation method.

Discount models are characterized by simultaneous and comprehensive consideration of key determinants of intrinsic value, e.g. operating cash flow, capex, cost of capital (WACC). They are theoretically appealing and provide a direct computation of intrinsic value. However, discount model valuations are highly sensitive to changes in assumptions, particularly the risk free rate and terminal growth rate. Moreover, projections cannot be stated with certainty; unforeseen future events can cause income or earnings projections to be invalid.

Multiples-based models are based on the analysis of the valuation multipliers of a given company in relation to other similar companies in the industry. Among strengths of multiplier models we can highlight their simplicity, as they are easy to compute as well as to understand. Moreover, only the key statistics for investors are chosen for valuation. On the other hand, multiples are based on historic data or near-term forecasts. Valuations based on multiples will therefore fail to capture differences in projected performance over the longer term. Finally, it may be problematic to select a suitable peer group.

Asset-based models can be used even if a company has a brief record of earnings or its future existence is uncertain. However, it may be challenging to determine market value of some assets, particularly intangibles. Additionally, asset-based models do not take into account future changes in financial results, nor do they include non-balance sheet items, such as know-how.

Valuation models are dependent on macroeconomic factors, such as interest rates, exchange rates, raw materials, and on assumptions about the economy. Furthermore, market sentiment affects the valuation of companies. The valuation is also based on expectations that might change rapidly and without notice, depending on developments specific to individual industries. Our recommendations and target prices derived from the models might therefore change accordingly.

The investment ratings generally relate to a 12-month horizon. They are, however, also subject to market conditions and can only represent a snapshot. The ratings may in fact be achieved more quickly or slowly than expected, or need to be revised upward or downward. In the tables and charts throughout this report, we designate the years with an “E” to denote that the figures presented are forecasts and estimates.

Definition of ratings used in our publications:

We currently use a three-tier recommendation system for the stocks in our formal coverage: Buy, Hold, or Sell (see definitions below):
A **Buy** is applied when the expected total return over the next twelve months is higher than 15%.
A **Hold** is applied when the expected total return over the next twelve months is within the range of 0% to 15%.
A **Sell** is applied when the stock's expected total return over the next twelve months is negative.

We employ three further categorizations for stocks in our coverage:
Restricted: A rating and/or financial forecasts and/or target price is not disclosed owing to compliance or other regulatory considerations such as blackout period or conflict of interest.
Coverage in transition: Due to changes in the research team, the disclosure of a stock's rating and/or target price and/or financial information are temporarily suspended. The stock remains in the research universe and disclosures of relevant information will be resumed in due course.
Under review: A rating and/or financial forecasts and/or target price is at the moment under revision of an analyst and the previous rating and/or financial forecasts and/or target price should not be relied on.
Not rated: We do not issue company-specific recommendations and we do not plan to issue them in the foreseeable future.

EXPLANATION OF THE PROFESSIONAL TERMINOLOGY USED IN THE REPORT:

P/E – „Price/Earnings" is the ratio of the financial instrument price to the net financial result for the issuer of the financial instrument.
P/B – „Price/Book Value" is the ratio of the price of the financial instrument to the issuer's equity capital.
EPS – „Earnings per Share", i.e. net profit per share.
BVPS – „Book Value per Share".
FWD – „Forward" - stands for the ratio (eg. P/E) calculated on the basis of the expected results.
DPS – „Dividend per Share".
DY – "Dividend Yield", a ratio calculated as dividends per share divided by the current share price.
EBIT – „Earnings Before Interest and Taxes".
EBITDA - „Enterprise Value / Earnings Before Interest, Taxes, Depreciation and Amortization".
EV/EBITDA – "Enterprise Value / Earnings Before Interest, Taxes, Depreciation and Amortization" is the company's market capitalization (price x number of shares) increased by the value of net financial debt and the value of minority shareholders divided by the operating result increased by the value of the company's asset depreciation.
AGM – Annual General Meeting