

FLASH NOTE

XTPL - Buy

Target Price: PLN 152.00 | Close as of 07/11/2024: PLN 104.00

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Q3'24 results below expectations

Q3'24 results are below our expectations on the revenue/EBIT/EBITDA/net profit lines. The difference on the revenue line is due to the recognition of only PLN 0.1mn in subsidies (we expected PLN 0.3mn). The difference on the EBIT/EBITDA/net profit lines is mainly due to the recognition of higher-than-expected R&D costs, costs of goods sold and higher-than-expected general and administrative expenses.

Quarterly snapshot

Consolidated, IFRS (PLN, mn)	Reported		y/y	Expected Erste	Reported vs. Erste
	3Q24	3Q23			
Revenue	1.2	3.9	-71%	1.4	-18%
EBIT	-7.5	-0.9		-5.1	
EBITDA	-5.9	-0.4		-4.2	
Net income	-7.7	-0.8		-5.3	
EBITDA margin	-512%	-9%			
EBIT margin	-648%	-24%			
Net margin	-669%	-21%			

Source: Company Data, Erste Group Research

Revenues. Revenues from sales of products and services were slightly lower than previously published preliminary estimates (PLN -0.06mn), and amounted to PLN 1mn in Q3'24 (-71% y/y). Revenues from product sales fell 67% y/y to PLN 0.8mn, the R&D line recorded PLN 0.18mn in revenues in Q3'24 (vs. PLN 1.1mn in Q3'23), and revenues from grants fell 54% y/y to PLN 0.14mn. Printer sales and rental generated PLN 0.67mn in revenue in Q3'24 (-71% y/y), and HPM (High Performance Materials) sales generated PLN 0.17mn in revenue in Q3'24 (-18% y/y).

Costs. Cost of sales was higher than the value of products sold, which may have been partly due to cost reallocation between quarters. Research and development costs increased 200% y/y, likely related to work done in connection with ongoing industrial implementation processes (+27% q/q). General and administrative expenses increased 40% y/y to PLN 4.0mn in Q3'24 (+12% q/q).

Financing activities and net income. The balance on financing activities amounted to PLN -0.3mn in Q3'24 vs. PLN -0.1mn in Q3'23. Income tax amounted to PLN 0mn, which, together with the loss on EBIT, translated into a net loss of PLN 7.7mn in Q3'24 vs. a net loss of PLN 0.8mn in Q3'23.

Cash flow from operations amounted to PLN -8.2mn in Q3'24 (vs. PLN -2.7mn in Q3'23), negatively impacted by the y/y decline in earnings. Capital expenditures amounted to PLN -0.8mn in Q3'24 vs. PLN 2.7mn in Q3'23.

Q3'24 results review

P & L (PLN mn)	3Q23	4Q23	1Q24	2Q24	3Q24	Y/Y	Q/Q
Revenue	3.9	4.6	2.9	3.2	1.2	-71%	-64%
Sales of products and services	3.6	4.2	2.7	2.9	1.0	-72%	-65%
Grants	0.3	0.4	0.1	0.3	0.1	-54%	-60%
Costs of sales	2.0	2.6	4.5	4.1	4.7	130%	14%
R&D costs	1.1	1.4	2.7	2.5	3.2	200%	27%
Costs of products sold	1.0	1.2	1.8	1.6	1.5	53%	-7%
Gross profit	1.9	2.1	-1.6	-0.9	-3.5		
G&A	2.8	4.5	4.2	3.5	4.0	40%	12%
Other operating activities	0.0	0.0	0.0	0.0	0.0		
EBITDA	-0.4	-1.8	-5.1	-3.5	-5.9		
EBIT	-0.9	-2.4	-5.8	-4.4	-7.5		
Balance on financial activities	0.1	0.2	0.0	-0.2	-0.3		
Profit before tax	-0.8	-2.2	-5.7	-4.6	-7.7		
Income tax	0.0	0.0	0.0	0.0	0.0		
Net profit	-0.8	-2.3	-5.8	-4.6	-7.7		

Opinion. **NEGATIVE.** Q3'24 results are below our expectations on all lines, due to the posting of higher-than-expected operating expenses. The weak performance in the quarter was indicated by very weak preliminary revenues previously reported by the company. As a result of posting a significant loss in the quarter, cash decreased to PLN 4.8mn at the end of Q3'24. According to the previously published announcement, the company's Management Board will be looking to raise PLN 28-31mn from a share issue, which should satisfy the company's capital needs to implement its previously announced strategy. In its letter to shareholders, the Board reiterates that DPS+ devices will be launched in 2025 (first sales expected in mid-2025) and at least one industrial deployment is expected. In our view, investors are already partially discounting the company's weak performance and the planned issue, but we nevertheless expect higher share price volatility until the planned share issue is completed.

We are not changing our target price or recommendation for the company in this commentary.

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