

ZE PAK

Hold (TP PLN 17.4)

3Q'24 EBITDA of PLN 33mn (+68%/-31% vs. our estimates/consensus) with significant contribution from PAK-PCE (PLN 15.4mn)

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ZE PAK reported 3Q'24 financial results with the following highlights:

- **Revenues of PLN 521mn (-36% y/y)**, 1% above our estimates (PLN 516mn) and -4% below market consensus (PLN 540mn).
- **EBITDA of PLN 33mn (-92% y/y)** and was 58% above our estimates (PLN 21mn) and -31% below market consensus (PLN 48mn). We note that EBITDA includes income from associates (PAK-PCE) of PLN 15.4mn and the company reported an one-off loss on sale of assets of PLN 2.3mn. **EBITDA adjusted by these two factors amounts to PLN 20mn and is -5% below our expectations as we did not include income from associates in EBITDA.**
- **In generation segment reported EBITDA amounted to PLN -11mn** (vs. PLN 135mn year ago and PLN -15mn quarter ago). Volumes of generated power are lower by 23% y/y and higher 23% q/q.
- **In mining segment reported EBITDA amounted of PLN 22mn** (vs. PLN 190mn year ago and PLN 72mn quarter ago). Coal consumption was lower by 20% y/y and higher 8% q/q.
- Net income including income from associates amounted to PLN 33mn and was 25% higher than our estimates (PLN 27mn) and 24% lower than market consensus (PLN 44mn). Net income excluding results of PAK-PCE amounted to PLN 18mn vs. our estimates of PLN 11mn (63% above our estimates).
- Net cash amounted to PLN 532mn (vs. PLN 464mn in 2Q'24).

Our view: NEUTRAL

Revenues in Q3'24 came in close to our expectations. At first glance, EBITDA is above our estimates, but after excluding associates' income and one-offs, EBITDA falls to PLN 20m, -5% below our estimates. At the same time, the results are well below market consensus. On a positive note, the average realized price of power remains at a high level (we note that this average is inflated by revenues from ancillary services) and at the same time the company reduced the implied cost of lignite extraction to PLN 159/t from PLN 307/t in quarter ago. In 3Q'24 the company also realized a lower CO2 price of PLN 350/t vs. PLN 398/t in 2Q'24. PAK-PCE is also making an increasing contribution to ZE PAK's results, contributing PLN 15.4mn to ZE PAK's results in Q3'24 (although we note an unusual accounting treatment where the company also includes the result of PAK-PCE at EBITDA level).

The company has a net cash position of PLN 532mn, but we note that the provision for CO2 allowances increased to PLN 477mn from PLN 301mn in 2Q24. Net cash including this provision is much lower and amounts to PLN 55m. We highlight that it is important to bear in mind that ZE PAK's cash position does not include a PLN 592m reclamation provision, as reported by the company at the end of 3Q'24, which will need to be covered in the coming years.

ZE PAK: 3Q'24 Financial results

P&L (PLNmn)	3Q'23	4Q'23	1Q'24	2Q'24	3Q'24	Y/Y	Q/Q	Pekao vs. Pekao	Cons. vs. Cons		
Revenues	820	829	520	522	521	-36%	0%	516	1%	540	-4%
EBITDA	397	445	27	93	33	-92%	-64%	21	58%	48	-31%
Generation	135	332	-91	-15	-11	-108%	-29%	-38	-72%		
Mining	190	220	124	72	22	-88%	-69%	56	-60%		
Other	72	-107	-7	36	22	-70%	-39%	3	680%		
EBITDA adj.	265	219	-4	28	20	-92%	-28%	21	-5%		
EBIT	413	419	23	89	30	-93%	-67%	15	101%	43	-32%
Financial cost net	42	-41	-15	1	-4	-109%	-444%	-1	545%		
Gross profit before tax	455	378	8	91	26	-94%	-72%	14	82%		
Tax & Other	-81	145	-13	20	8	-110%	-61%	13	na		
Net income	375	523	-5	110	33	-91%	-70%	27	25%	44	-24%
Net income ex. PAK-PCE	na	na	-7	81	18	na	-78%	11	63%		
Debt (PLNmn)											
Debt	40	40	33	33	33						
Net debt	-1,189	-494	-643	-464	-532						
Operational data											
Generation											
Volume of generated power (TWh)	0.31	0.20	0.27	0.31	0.38	23%	23%	0.32	18%		
Volume of traded power (TWh)	0.15	0.25	0.23	0.19	0.11	-27%	-42%	0.20	-45%		
Realized price of power (PLN/MWh)	1,392	1,388	696	731	738	-47%	1%	711	4%		
CO2 emission (mnt)	0.43	0.29	0.35	0.40	0.50	16%	25%	0.42	20%		
Realized CO2 price (PLN/t)	394	297	406	398	350	-11%	-12%	399	-12%		
CO2 cost per MWh	547	431	526	514	460	-16%	-10%	519	-11%		
Emission factor (t/MWh)	1.39	1.45	1.30	1.29	1.32	-5%	2%	1.30	1%		
Spread (power price-CO2, PLN/MWh)	845	957	169	217	278	-67%	28%	192	45%		
Mining											
Coal consumption (mnt)	0.42	0.31	0.36	0.39	0.52	24%	33%	0.40	29%		
Implied extraction cost (PLN/t)	191	254	258	307	159	-17%	-48%	292	-46%		
Revenues per t (PLN/t)	662	606	587	455	284	-57%	-38%	431	-34%		

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