

# ML System

## 3Q24 results overview and conf call highlights

ML System published its results for 3Q24 and held an analysts' conference call:

- Revenues amounted to PLN 42.3m compared to our forecast of PLN 35.1m.
- EBITDA amounted to a loss of PLN 11.1m, which is below our estimate of a loss PLN -0.6m.
- The net loss amounted to PLN -21.6m compared to our forecast of a loss PLN -7.8m.
- There is a huge delay with the RRF (KPO) proceeds payments which explain the downturn on the market of construction tender offers. This is compounded by the huge influx of cheap Chinese production on the EU market which kills margins.
- The CEO of the company Dawid Cycon mentioned that several options for future financing are considered. Prepayments from counterparties are the most obvious ones. For now prepayments amount to PLN 40m per quarter, the aim of the company is to increase it to PLN 60m.
- The company does not exclude the share issue as a way of financing.
- Current backlog value amounts to PLN 200m. This are the projects which are likely to be realized over the next 6-12 months. Last year at this point in time backlog amounted only to PLN 75m.
- Filed offers in various tender offers amounted to PLN 1.4bn compared to PLN 147m a year ago.
- The company has implemented a cost-cutting measures. So far it needed to increase its presence on the US market, cover for cost of headcount, trade fairs and other marketing measures. One contract have been signed so far for USD 2.9m. Total filed offers in tender procedures amounts to USD 60m.
- The unbinding letter of intent signed with Energizer expires in November. It is about to be renegotiated. The company will inform about the results of future cooperation with Energizer in a separate communique.
- Results in 4Q24 are likely to improve on q/q basis. The should be no R&D works or works required for implementation of Active Glass production line which now is integrated into the production chain.
- Debt covenants are breached, banks were notified about this situation in advance. No extreme measures are expected by the company to happen however it can't be entirely excluded.

*Opinion: Results are a dire disappointment to us. End of the year is seasonally a better quarter which should prove some uptick in EBITDA line.*

Technology

### ML System

**SELL**

**FV PLN 31.54**

Price from 28.11.2024 2024 PLN 29,30

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#### Analysts

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Figure 1. ML System: 3Q24A results overview (PLN m)

	1Q23	2Q23	3Q23	4Q23A	1Q24A	2Q24A	3Q24A	Y/Y	Q/Q	3Q24E	diff.
Revenues	46.09	48.42	39.72	59.03	40.12	31.27	42.33	6.6%	35.4%	35.18	20.3%
Gross profit	4.25	4.08	10.01	13.57	7.70	3.33	-7.43	na	na	4.51	na
EBITDA	7.44	-0.21	6.38	12.08	13.34	1.24	-11.11	na	na	-0.60	na
EBIT	0.14	-6.44	1.84	7.53	6.66	-5.95	-18.21	na	na	-7.80	na
Net profit	-2.26	-8.39	-0.10	6.11	5.87	-8.81	-21.62	na	na	-7.75	na

Source: Company, IPOPEMA Research

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NII – Net interest income – interest income minus interest expense.

Net F&C – Net fee and commission income – fee and commission income minus fee and commission expense.

LLP – loan loss provisions – an expense set aside as an allowance for bad loans.

NPL – non-performing loan – loans that are in default or close to be in default.

Cost/Income – operating expenses divided by total banking revenue.

ROE – return on equity – net income (or adjusted net income) divided by the average shareholders' equity.

ROA – return on assets – net income (or adjusted net income) divided by the average assets.

EBIT – earnings before interests and tax.

EBITDA – earnings before interests, tax, depreciation and amortization.

EPS – earnings per share – the net income (or adjusted net income) divided by the number of shares outstanding.

P/E – price to earnings ratio – price divided by earnings per share.

PEG – P/E ratio divided by the annual EPS growth, usually over a certain period of time.

CAGR – compound annual growth rate.

BVPS – book value per share, the book value of the Company's equity divided by the number of shares outstanding.

P/BV – price to book value - price divided by the BVPS.

DPS – dividend per share – dividend of a given year divided by the number of shares outstanding.

DY – dividend yield – dividend of a given year divided by the current price.

DDM – dividend discount model – a fundamental method of valuation based on the assumption that the value of stock equals the sum of all discounted future dividends.

FV – Fair Value, calculated based on valuation methods outlined in the document.

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Sprzedaj	Below -10%

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	Number	%
Kup	18	56%
Trzymaj	8	25%
Sprzedaj	6	19%
Suma	32	100%

#### Historia ratingu – ML System

Data	Rekomendacja	FV	Cena z rekomendacji	Autor
09/09/2021	BUY	PLN 127.00	PLN 108.40	Robert Maj
06,05,2022	BUY	PLN 90.94	PLN 73.50	Robert Maj
26/08/2022	BUY	PLN 104.48	PLN 75.75	Robert Maj
21/11/2022	BUY	PLN 83.18	PLN 50.60	Robert Maj
05/04/2023	BUY	PLN 92.22	PLN 62.50	Robert Maj
02/10/2023	BUY	PLN 87.20	PLN 65.30	Robert Maj
24/04/2024	BUY	PLN 58.45	PLN 47.20	Robert Maj
10/10/2024	SELL	PLN 31.54	PLN 36.80	Robert Maj