

FLASH NOTE

Novavis Group - Buy

Target Price: PLN 3.29 | Close as of 27/11/2024: PLN 1.67

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3Q24 results review

In 3Q24 Novavis did not obtain any new connection conditions for photovoltaic farms, which translated into low reported sales revenues and negative financial results. Currently, most of the projects carried out for Iberdrola have all the required permits, except for the key one, which is connection to the power grid. Distribution System Operators are issuing negative decisions for the applications, noting problems with the capacity of the power grids. At the same time, the DSOs seem poorly prepared to apply for funds from the National Reconstruction Program, which would translate into modernization of the grid and improved connection possibilities for renewables, As a result, the expected permits for grid connections are delayed.

| (mn PLN) | Q3'24 | Q3'23 | y/y | Q3'24p | Diff. | 2024e | YTD |
|---------------|-------|-------|-------|--------|-------|-------|------|
| Revenues | 0.2 | 1.7 | -89% | 0.6 | -70% | 18 | 19% |
| EBITDA | -1.5 | 0.6 | -344% | -0.5 | 202% | 11 | -4% |
| EBITDA margin | - | 37% | - | - | - | 61% | - |
| EBIT | -1.5 | 0.6 | -351% | -0.5 | - | 11 | -4% |
| Net income | -1.3 | 0.0 | 5260% | -0.5 | - | 9 | -12% |

Novavis reported negative operating cash flow of -0.5mn PLN in 3Q24. The cash surplus on the balance sheet at the end of 3Q24 was PLN 0.3mn.

OPINION: SLIGHTLY NEGATIVE

Unfortunately, the improvement in market conditions that we assumed would result from the resumption of issuance of grid connection conditions by DSOs does not occur in 2H24. Grid connections, in Novavis' case, release 45% of the value of PV projects and are a key milestone for developers to achieve. We will have to lower our forecasts for 2024, pushing the expected improvement in performance to 2025. Novavis has surplus cash on its balance sheet, so we currently see no risk for deterioration in the Company's liquidity despite the low financial performance.

In this document we are not changing our recommendation, forecasts, or price target for Novavis.

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