

Mostostal Zabrze

buy

engineering and construction, machinery

previous recommendation: buy

Price*: 5.10

Target price: 6.10

Outlook for Accelerated Growth

One of the most significant concerns regarding the company's future performance, raised in recent quarters, was the anticipated decline in revenues following the completion of two very large contracts. This concern was compounded by uncertainty linked to the deteriorating situation in the construction sector. Since the beginning of the year, the management has declared that they have been negotiating numerous contracts, primarily in more specialized projects, such as waste incineration plants, metallurgy, industrial installations, and similar ventures, largely outside of Poland. This strategy aims to reduce competition, achieve higher margins, and carry lower risk.

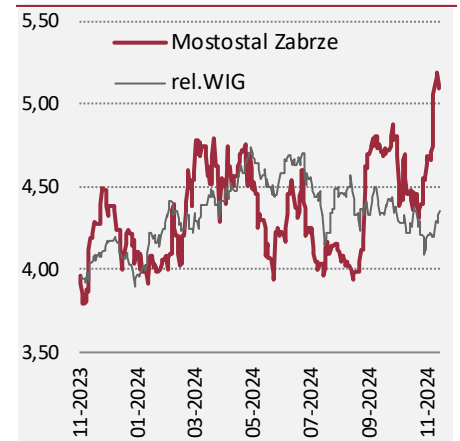
The reported results for Q3 2024 and the size of the order backlog indicate that this scenario is materializing. Excluding the consolidation of Polwax, the backlog increased by 14% year-on-year and 5.7% quarter-on-quarter by the end of October. The largest contributor to this growth was the Industrial Implementations and Design segment, whose backlog nearly doubled year-on-year, reaching PLN 363.9 million. It is likely that the value of the order backlog will reach PLN 1.0 billion by the end of the year, as several large contracts have already been announced: the construction of an apron at Chopin Airport, industrial installations for IONWAY, and a nuclear medicine facility in Gliwice, with a combined value of PLN 380.9 million.

In July, Mostostal Zabrze acquired **Polwax** shares for PLN 30.8 million, giving it nearly a 50% stake in the capital and securing control over the company. Currently, Polwax, supported by Mostostal Zabrze and additional financing, has the opportunity to return to its pre-crisis scale of operations. The Q3 2024 results still reflected the crisis situation, as expected, since MZ's support arrived during the company's critical season, which could not be fully utilized. Regarding negotiations with Orlen, whose conflict caused Polwax's performance collapse, the management has not commented, citing the sensitivity of the matter. The decision to complete the "Future" installation will be made after a thorough analysis of the potential return on investment, supported by consulting firms. The decision is expected in the first months of the next year.

The acquisition process for **Stalmech** from the bankruptcy trustee has progressed slowly in recent months, mainly due to formal issues, including changes in court jurisdiction. Operationally, Stalmech continues its activities under MZ management. Moreover, the company sees optimistic development prospects for this business, particularly in the direction of container modular systems.

Valuation and Recommendation

Compared to the July 2024 report, the most significant change in the valuation model was the inclusion of the consolidation of Polwax and its performance forecasts. This factor, along with an increase in comparative valuation indicators, contributed to a higher target price. The value of shares based on the DCF model is PLN 6.0 (including the Stadion Śląski payout – PLN 3.8), while the valuation based on comparisons to other companies is PLN 7.2. The average is PLN 6.10, which supports maintaining the "buy" recommendation for the company's shares.



| | | | |
|----------------------------|------------------------|------------|-------------|
| Max/min 52 weeks (PLN) | 5,19 / 3,91 | | |
| Shares issued (m) | 74,0 | | |
| Market cap. (m PLN) | 377 | | |
| EV (m PLN) | 419 | | |
| Free float (m PLN) | 179 | | |
| Average turnover (mln PLN) | 0,2 | | |
| Main shareholder | Jędrzejewski Krzysztof | | |
| % of shares, % of votes | 41,1%, 41,1% | | |
| | 1 m | 3 m | 12 m |
| Price change | 14,3% | 27,7% | 20,0% |
| Change rel. WIG | 11,2% | 30,8% | 25,5% |

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| | Revenues | EBIT | EBITDA | Profit before tax | Net profit | EPS | CEPS | BVPS | P/E | P/BV | DY (%) | EV /EBIT | EV /EBITDA | ROE (%) |
|-------|----------|------|--------|-------------------|------------|------|------|------|------|------|--------|----------|------------|---------|
| 2022 | 1172,3 | 58,3 | 71,0 | 55,6 | 32,0 | 0,43 | 0,60 | 3,1 | 11,8 | 1,7 | 0,1% | 7,2 | 5,9 | 14,1% |
| 2023 | 1351,4 | 93,0 | 109,5 | 100,6 | 74,2 | 1,00 | 1,23 | 3,9 | 5,1 | 1,3 | 0,2% | 4,5 | 3,8 | 25,9% |
| 2024p | 945,5 | 77,0 | 95,5 | 76,7 | 60,5 | 0,82 | 1,07 | 4,2 | 6,2 | 1,2 | 0,0% | 5,4 | 4,4 | 19,3% |
| 2025p | 1090,5 | 48,7 | 68,2 | 45,5 | 33,8 | 0,49 | 0,77 | 4,5 | 11,2 | 1,1 | 0,0% | 8,6 | 6,1 | 10,8% |

f - BN Banku Millennium consolidated forecasts, m PLN

The material was prepared by Millennium Dom Maklerski S.A. at the request of the Warsaw Stock Exchange S.A. under the Analytical Coverage Support Program. Information on the connections of Millennium Dom Maklerski S.A. with the company being the subject of this report and other required information are provided on the last page of the report. Market price as of Dec 5, 2024. 5 p.m

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EV - market valuation of the company + net interest debt

EBIT - operating profit

EBITDA - operating profit + depreciation

WNB - result on banking activity

P/E - ratio of the share price to the net profit per share

P/BV - ratio of the share price to the book value per share

ROE - return on equity

ROA - return on assets

EPS - net profit per share

CEPS - net profit and depreciation per share

BVPS - book value per share

DPS - dividend per share

NPL - non performing loans

The scale of recommendation used in Biuro Maklerskie Banku Millennium S.A.

BUY - we believe that the company's shares have more than 20% upside potential

ACCUMULATE - we believe that the price of the company's shares will remain stable (+/- 10%)

NEUTRAL - we believe that the price of the company's shares will remain stable (+/- 10%)

REDUCE - we think that the company's shares are overvalued by 10-20%

SELL - we believe that the company's shares are overvalued by over 20%

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Comparative method (comparison of relevant market indicators at which the company is listed with similar indicators for other companies from the same industry or related industries) - better than the DCF method, it reflects the perception of the industry in which the company operates by investors. The disadvantage of the comparative method is the sensitivity to the selection of the adopted comparative group and the compared ratios, as well as high volatility of the valuation depending on the market situation.

ROE-P/BV method (a model that makes the appropriate P/BV ratio dependent on the company's profitability) - a method considered the most appropriate for the valuation of banks. The disadvantage of this method is the sensitivity of the valuation obtained in this way to the assumptions made regarding both the company itself (profitability, effectiveness) and its macroeconomic environment.

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The work related to the preparation of the report was completed on Dec 6, 2024 at 11:30, the date of the first dissemination of the report is the date of the report Dec 6, 2024 at 12.00.

The report was prepared by the Biuro Maklerskie Banku Millennium S.A. commissioned by the Warsaw Stock Exchange S.A. under the Analytical Coverage Support Program.

BM Banku Millennium recommendation for the last 12 months

| Company | Recommendation | Date of the recommendation | Market price on the day the recommendation issue | Target price | Author |
|------------------|----------------|----------------------------|--|--------------|--------------------|
| IMS | Buy | 08/12/2023 | 3,79 | 4,60 | Łukasz Bugaj |
| Ambra | Buy | 18/03/2024 | 26,30 | 32,20 | Grzegorz Gawkowski |
| IFirma | Neutral | 12/04/2024 | 22,30 | 21,40 | Seweryn Żołyniak |
| IMS | Accumulate | 08/05/2024 | 4,36 | 5,00 | Łukasz Bugaj |
| Mostostal Zabrze | Buy | 01/07/2024 | 4,46 | 5,90 | Adam Zajler |
| IFirma | Neutral | 24/09/2024 | 22,80 | 20,80 | Seweryn Żołyniak |
| Ambra | Accumulate | 01/10/2024 | 26,10 | 30,40 | Grzegorz Gawkowski |
| IMS | Buy | 07/10/2024 | 3,54 | 4,50 | Łukasz Bugaj |

Source: BM Banku Millennium, recommendations issued by BM Banku Millennium valid for 6 months from the date of issue, unless they are updated beforehand. Ambra.

Structure of BM Banku Millennium recommendation for the last 12 months

| | Number of recommendations | Share |
|------------|---------------------------|-------|
| Buy | 4 | 40% |
| Accumulate | 2 | 20% |
| Neutral | 2 | 20% |
| Reduce | 0 | 0% |
| Sell | 0 | 0% |

The structure of recommendations for companies for which BM Banku Millennium

No recommendations were issued for companies for which BM Banku Millennium provided services in the field of investment banking*

*last 12 months, including companies for which BM Banku Millennium is a marketmaker