

Mercor

Hold || TP PLN 25.10/sh

2Q'2024/25 EBITDA of PLN 11.6mn

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The Company released its 2Q'2024/25 results with the following data:

- Revenues amounted to PLN 125.3mn (-8% y/y, +0% q/q).
- Gross profit amounted to PLN 30.0mn (-10% y/y, -11% q/q).
- EBITDA amounted PLN 11.6mn (-38% y/y, -15% q/q).
- EBIT amounted to PLN 6.9mn (-52% y/y, -24% q/q).
- Net profit amounted to PLN 5.4mn (-70% y/y, -10% q/q).
- Operating cash flow in 1H'2024/25 amounted to PLN 33.2mn (+9% y/y).
- The Company's net debt at the end of 2Q'2024/25 amounted to PLN 66.5mn (vs. PLN 73.8mn at the end of 4Q'2023/24).

Our view: NEUTRAL

In our opinion, 1Q'2024/25 results are neutral. Although revenue was only slightly lower than our forecast, it would be quite higher than our forecast assuming no change in the consolidation method of Mercor Proof OOO, the Russian subsidiary. As we expected, the Company experienced a decline in the GP margin. EBITDA margin was 0.4 p.p. higher than our forecast, which translated to nominal EBITDA of PLN 11.6mn, i.e. close to our forecast. Although net profit declined by 70% on a comparable basis, it was 39% higher than our forecast. Due to the lack of quarterly comparable data regarding the OCF, we can only comment on the OCF generated in the whole first half of 2024/25, which was 9% higher than one year ago (slightly positive).

It is worth mentioning that the Company changed its accounting policy and this is the first report in which the Russian subsidiary, Mercor Proof OOO, is no longer consolidated due to the Company's new perspective on the control in the Russian subsidiary, or rather lack of thereof. As a result, the Company changed its historical figures retrospectively. By the way, according to the Company's data for 1H'2023/24 (one year ago), Mercor Proof OOO generated PLN 25.0mn of revenue, PLN 5.0mn of EBITDA, and PLN 3.5mn of net profit in 1H'2023/24. Assuming the subsidiary's financial performance was similar in the remaining half of 2023/24, that would translate to a revenue of ca. PLN 50mn and EBITDA of ca. PLN 10mn, which would constitute around 8.5% and 13.2% of the Company's full-year results for 2023/24 before the change in the accounting policy. On the other hand, the Company recognized PLN 13.1mn as the investments in entities consolidated by the equity method.

Following the recently announced transaction for the sale of a significant part of its business with Kingspan Group PLC, the picture after the transaction really matters. We suppose that the deal may pertain to around 2/3 to 3/4 of the Company's revenue and even higher share regarding EBITDA taking into account, that the business subject to the transaction should be more profitable than the business remaining in the Company. In any way, we expect a significant deterioration in the Company's financial performance this year as a result of the slowdown in the industry, which may last several quarters, in our view.

Mercor: 2Q'2024/25 results review *



PLN mn	2Q'23/24	3Q'23/24	4Q'23/24	1Q'24/25	2Q'24/25	Y/Y	Q/Q	Pekao	vs. Pekao	2022/23	2023/24	2024/25e
Revenues	136.5	145.4	141.1	125.0	125.3	-8%	0%	127.9	-2%	628.4	587.4	510.9
COGS	-103.2	-103.0	-107.0	-91.5	-95.4	-8%	4%	-97.3	-2%	-472.2	-434.3	-390.2
Gross profit	33.3	42.4	34.1	33.5	30.0	-10%	-11%	30.7	-2%	156.2	153.1	120.7
SG&A	-19.4	-26.4	-23.6	-23.7	-22.7	17%	-4%	-24.2	-6%	-88.6	-94.8	-92.4
EBITDA	18.7	20.7	13.9	13.7	11.6	-38%	-15%	11.4	2%	87.6	76.3	47.4
EBIT	14.3	15.8	9.0	9.1	6.9	-52%	-24%	6.5	7%	68.8	57.1	28.3
EBT	16.9	17.6	8.1	8.3	6.7	-60%	-19%	5.2	29%	60.4	59.4	22.3
Net profit	18.3	13.1	6.2	6.1	5.4	-70%	-10%	3.9	39%	41.7	49.3	16.7
Gross profit margin	24.4%	29.2%	24.2%	26.8%	23.9%			24.0%		24.9%	26.1%	23.6%
EBITDA margin	13.7%	14.2%	9.8%	11.0%	9.3%			8.9%		13.9%	13.0%	9.3%
EBIT margin	10.5%	10.9%	6.4%	7.3%	5.5%			5.1%		10.9%	9.7%	5.5%
Net profit margin	13.4%	9.0%	4.4%	4.9%	4.3%			3.1%		6.6%	8.4%	3.3%
Operating CF	27.2	8.5	10.7	22.3	10.9	-60%	-51%	11.8	-8%	64.0	49.0	61.1
Investing CF	-4.2	-1.4	-5.7	-4.0	-3.1	-26%	-23%	-3.4	-8%	-12.0	-19.1	-13.4
Financing CF	-14.0	-13.0	-9.1	-15.2	-7.7	-45%	-49%	-1.1	591%	-42.8	-43.5	-24.9
Net debt	80.1	76.0	73.8	58.6	66.5	-17%	13%	51.3	30%	67.1	73.8	49.7
ND/EBITDA (LTM)	0.94	0.93	0.97	0.82	1.11			0.84		0.77	0.97	1.05
Order intake	153.4	140.7	116.4	148.6	150.2	-2%	1%	125.6	20%	605.3	570.9	520.7
Book-to-bill ratio (x)	1.03	0.97	0.82	1.08	-1.09	-206%	-201%	0.98	n/a	0.96	0.97	1.02

Notes: Due to the limited scope of restated data, the above presented data are as follows:

P&L: 1Q'2024/25, 2Q'2024/25, and 2Q'2023/24 P&L results are restated, other P&L results has not been restated.

Cash flows: the presented data base on 1H'2023/24 and 1H'2024/25 restated data and other historical data which has not been restated (published in previously issued reports).

Net debt at 2Q'2024/25 and 4Q'2023/24 is restated (other periods are not).

Order intake and book-to-bill ratios are not restated.

Source: the Company, Pekao Equity Research

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