**Company Report** | **Engineering & Construction** | **Poland** | **10 January 2025**

# Mercor

## Disposing the best part of the business

**We issue a Sell recommendation for Mercor with a 12M target price at PLN 24.50 per share (14.0% downside potential). The crucial information is the preliminary agreement with Kingspan Group to sell a significant part of the business, which we do not perceive as positively as the market does. For us, the picture after the transaction also matters. We consider the Company's market price overvalued and base our conclusions on:**

- Although the selling price for the business subject to the transaction seems decent and fair, the transaction may pertain from 2/3 to 3/4 of the Company's revenue and an even higher share of EBITDA. Furthermore, the business subject to the transaction has higher profitability than the remaining business, which should result in lower margins in the future. Moreover, due to an inverse effect of economies of scale, the ratio of the Company's SG&A to its revenue should rise, and the resulting operating results on a continued basis may be disappointing for the market.
- The current economic situation in the cubature construction industry is weak. The vacancy rate approached around 8%. We are witnessing the erosion of margins and an increased competition should put additional pressure on profitability. By the way, a weak short-term outlook in the sector puts a possible earn-out at risk.
- Although we assume a generous DPS of PLN 15.00 in 2025/26e, a more modest level of DPS might result in a negative market reaction. In our view, the perspective of a high dividend led the market price to the current high level.

**Mercor, Key figures**

| PLN mn | 2022/23 | 2023/24 | 2024/25e | 2025/26e | 2026/27e | 2027/28e |
|---|---|---|---|---|---|---|
| Revenues | 628 | 587 | 477 | 145 | 151 | 160 |
| EBITDA | 88 | 76 | 44 | 251 | 23 | 10 |
| Adj. EBITDA | 88 | 76 | 44 | 6 | 8 | 10 |
| EBIT | 69 | 57 | 26 | 246 | 18 | 5 |
| Adj. EBIT | 69 | 57 | 26 | 2 | 3 | 5 |
| Net income | 42 | 49 | 18 | 221 | 20 | 9 |
| EPS | 2.68 | 3.17 | 1.16 | 14.45 | 1.33 | 0.61 |
| DPS | 0.63 | 1.51 | 0.77 | 15.00 | 0.29 | 0.67 |
| DY | 2.3% | 5.5% | 5.5% | 52.6% | 1.0% | 2.3% |
| P/E | 10.5 | 8.9 | 24.6 | 155.2 | 59.1 | 46.9 |
| EV/EBITDA | 5.7 | 6.7 | 11.6 | 55.3 | 40.4 | 33.4 |
| Net Debt | 67 | 74 | 69 | -107 | -119 | -114 |
| Net Debt/EBITDA | 0.8 | 1.0 | 1.6 | -17.9 | -15.2 | -11.8 |

*Note: The table above shows 2022/23 and 2023/24 figures as published, 2024/25e figures without OOO Mercor-Proof, and continuing operations from 2025/26e. Multiples based on adjusted figures.*

*Source: Mercor, Pekao Equity Research.*

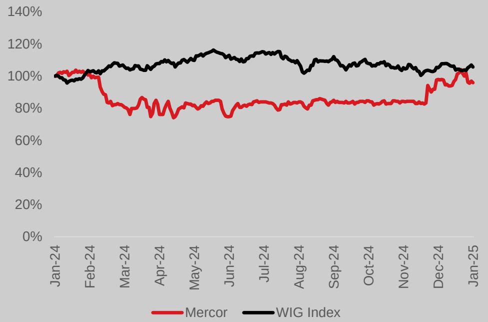
## Sell (Downgraded)

**Target price** PLN 24.50

**Upside to TP** -14.0%
Price on 9 January 2025 PLN 28.50

**ESG rating** C
**Final ESG score** 0.87

**Relative share price performance vs. WIG Index**




**UPCOMING EVENTS**

| | |
|---|---|
| 3Q'2024/25 results | TBA |

**STOCK DATA**

| | |
|---|---|
| Reuters/Bloomberg | MCRP.WA/MCR:PW |
| Free float (%) | 41.7 |
| Market capitalization (PLNmn) | 437 |
| No. of shares in issue (mn) | 15.3 |

Shareholders: PERMAG sp. z o.o. 26.35%; Bangtino Limited 21.34%; Nationale Nederlanden PTE 9.34%

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# Recent developments

## A preliminary transaction to sell a significant part of the business to Kingspan Group

### Key facts

In late November 2024, the Company announced that it had entered into a preliminary transaction for the sale of a significant part of its business with Kingspan Group PLC. The subject of the sale are the shares of companies holding assets related to the business in the field of:

- The manufacture and sale of complex natural smoke exhausting systems.
- The manufacture and sale of complex fire ventilation systems.

Under the agreement, the purchaser agreed to pay the Company an amount of PLN 420mn as consideration for the shares of the subsidiaries subject to the transaction, of which payment of a portion of the price in the amount of up to PLN 60mn is deferred and contingent on the achievement of certain thresholds of consolidated EBITDA for the 12-month period ending in March 2026 generated from the spin-off business. Depending on the EBITDA target, the Company may not receive an additional deferred price payment or may receive an additional payment ranging from PLN 15mn to PLN 60mn.

Due to the fact that the individual entities subject to the transaction are also engaged in different activities, it will be necessary to spin off the assets related to the transaction to other entities, which shares will be sold to the investor. In the other case (Spain), assets not related to the subject of the transaction will be transferred to a subsidiary of the issuer.

The closing of the transaction will be subject to: (1) the approval of the relevant antitrust authority, (2) the approval of the AGM, (3) the completion of the spin-off and (4) the approval of the Company's financing banks. The Company informed it plans to recommend a significant portion of the amount received from the investor for dividends.

### Our view

In our view, the information about the planned disposal of the Company’s core assets should have been treated neutrally, but the market liked the news and the Company’s share price rose shortly thereafter. It is important, that the assumed unconditional value of the transaction amounts to PLN 360mn, which is quite fair given that the vast majority of the Company’s business is subject to the deal. Unfortunately, the Company has not disclosed revenue or results by operating segments, but we suppose that from around 2/3 to 3/4 of the Company’s revenue may be involved in the transaction. Furthermore, the business subject to the transaction has better profitability compared to the remaining business. The main question mark is what portion of the Company’s EBITDA is subject to the transaction, we suppose it may be around 80% or even more.

When assessing the deal based on the LTM figures known at the date of the publication (i.e. revenue of PLN 572.4mn and EBITDA of PLN 71.1mn) and assuming that 80% of EBITDA will be subject to transaction (PLN 56.8mn), the worst-case scenario (without any earn-out) would imply LTM EV/EBITDA of 6.3x. The best-case scenario (with PLN 60mn of earn-out) would imply LTM EV/EBITDA of 7.4x. However, we expect a deterioration in the Company’s financial performance this year as a result of the slowdown in the industry, so the implied EV/EBITDA multiples may be higher. Taking that into account, the transaction might be perceived as slightly positive as forward multiples are certainly higher than LTM multiples.

The most important is the picture after the transaction. Given that a 20% portion of EBITDA would remain in the Company (PLN 14.2mn), the LTM EV/EBITDA for the remaining business would imply a ca. 10.3x and 6.1x for the worst and best-case scenarios, respectively, given the latest closing and similar level of net debt. However, due to the inverse effect of economies of scale, the ratio of the Company's SG&A costs to its revenue should rise which should result in worse financial results and the implied higher multiples for the remaining business.

Looking at forward EV/EBITDA, it is important to determine the level of recurring EBITDA following the transaction. The table below presents the implied EV/EBITDA multiples after the transaction given various levels of adj. EBITDA for 2025/26e and an array of scenarios for earn-out (in fact to be paid in 2026/27e, but we also take it into account and correct the EV by this item). In our view, the most probable levels of EBITDA are between high-single-digits and low-double-digits. Regarding earn-out, it may be difficult for the Company to achieve a decent earn-out given weak short-term perspective in the industry and the fact, that its level will depend on the performance of the business subject to the transaction in FY 2025/26. In such circumstances, we do not perceive the multiples after the transaction as a bargain. So, we do not see more upside here. Only the Company's intention to allocate a significant portion of the price to a dividend might be seen slightly positively.

**Implied EV/EBITDA multiples (x) after the transaction given various levels of adj. EBITDA for 2025/26e (PLN mn) and an array of scenarios for earn-out**

| Adj. EBITDA (columns) / earn-out (rows) | 5.0 | 7.5 | 10.0 | 12.5 | 15.0 | 17.5 | 20.0 |
|---|---|---|---|---|---|---|---|
| **PLN 0mn** | 20.0x | 13.3x | 10.0x | 8.0x | 6.7x | 5.7x | 5.0x |
| **PLN 15mn** | 17.6x | 11.7x | 8.8x | 7.0x | 5.9x | 5.0x | 4.4x |
| **PLN 30mn** | 15.1x | 10.1x | 7.6x | 6.1x | 5.0x | 4.3x | 3.8x |
| **PLN 45mn** | 12.7x | 8.5x | 6.4x | 5.1x | 4.2x | 3.6x | 3.2x |
| **PLN 60mn** | 10.3x | 6.9x | 5.1x | 4.1x | 3.4x | 2.9x | 2.6x |

*Source: Pekao Equity Research.*

## Financial results 2Q'2024/25

On December 31, 2024, 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).

In our opinion, 1Q'2024/25 results were 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 OOO Mercor-Proof, 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).

### 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 |
|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | **136.5** | **145.4** | **166.1** | **125.0** | **125.3** | ***-8%*** | ***0%*** | **127.9** | ***-2%*** |
| COGS | -103.2 | -103.0 | -122.9 | -91.5 | -95.4 | *-8%* | *4%* | -97.3 | *-2%* |
| **Gross profit** | **33.3** | **42.4** | **43.2** | **33.5** | **30.0** | ***-10%*** | ***-11%*** | **30.7** | ***-2%*** |
| SG&A | -19.4 | -26.4 | -27.8 | -23.7 | -22.7 | *17%* | *-4%* | -24.2 | *-6%* |
| **EBITDA** | **18.7** | **20.9** | **18.7** | **13.7** | **11.6** | ***-38%*** | ***-15%*** | **11.4** | ***2%*** |
| EBIT | 14.3 | 15.8 | 13.8 | 9.1 | 6.9 | *-52%* | *-24%* | 6.5 | *7%* |
| EBT | 16.9 | 17.6 | 10.6 | 8.3 | 6.7 | *-60%* | *-19%* | 5.2 | *29%* |
| **Net profit** | **18.3** | **13.1** | **6.2** | **6.1** | **5.4** | ***-70%*** | ***-10%*** | **3.9** | ***39%*** |
| *Gross profit margin* | *24.4%* | *29.2%* | *26.0%* | *26.8%* | *23.9%* | | | *24.0%* | |
| *EBITDA margin* | *13.7%* | *14.4%* | *11.2%* | *11.0%* | *9.3%* | | | *8.9%* | |
| *EBIT margin* | *10.5%* | *10.9%* | *8.3%* | *7.3%* | *5.5%* | | | *5.1%* | |
| *Net profit margin* | *13.4%* | *9.0%* | *3.7%* | *4.9%* | *4.3%* | | | *3.1%* | |
| **Operating CF** | **27.2** | **7.7** | **10.7** | **22.3** | **10.9** | ***-60%*** | ***-51%*** | **11.8** | ***-8%*** |
| Investing CF | -4.2 | -8.3 | -5.7 | -4.0 | -3.1 | *-26%* | *-23%* | -3.4 | *-8%* |
| Financing CF | -14.0 | -13.8 | -9.1 | -15.2 | -7.7 | *-45%* | *-49%* | -1.1 | *591%* |
| **Net debt** | **80.1** | **76.0** | **73.8** | **58.6** | **66.5** | ***-17%*** | ***13%*** | **51.3** | ***30%*** |
| *ND/EBITDA (LTM)* | *1.00* | *0.99* | *0.97* | *0.81* | *1.02* | | | *0.84* | |
| Order intake | 153.4 | 140.7 | 116.4 | 148.6 | 150.2 | *-2%* | *1%* | 125.6 | *20%* |
| Book-to-bill ratio (x) | 1.12 | 0.83 | 0.82 | 1.19 | 1.20 | 7% | 1% | 0.98 | *22%* |

*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).*
*The order intake and book-to-bill ratios are not restated.*

*Źródło: Mercor, Pekao Equity Research.*

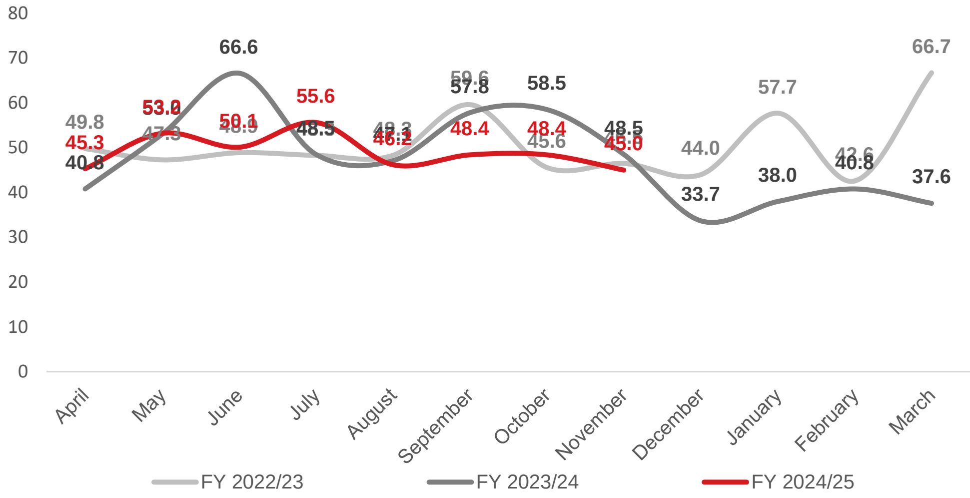
### OOO Mercor-Proof no longer fully consolidated

It is worth mentioning that the Company changed its accounting policy and this is the first report in which the Russian subsidiary, OOO Mercor-Proof, is no longer fully 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), OOO Mercor-Proof 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 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. OOO Mercor-Proof generates better margins compared to the remaining business. In its assets, the Company recognized PLN 13.1mn as the investments in entities consolidated by the equity method.

## Order intake

Over the recent quarters, we could see a decline in the Company's order intake. Between April and November 2024, the Company secured PLN 392mn of new orders (-6.8% y/y). The decline is slightly higher than in the whole 2023/24, in which the Company secured PLN 570mn (-5.8% y/y).

**Order intake of Mercor (PLNmn)**

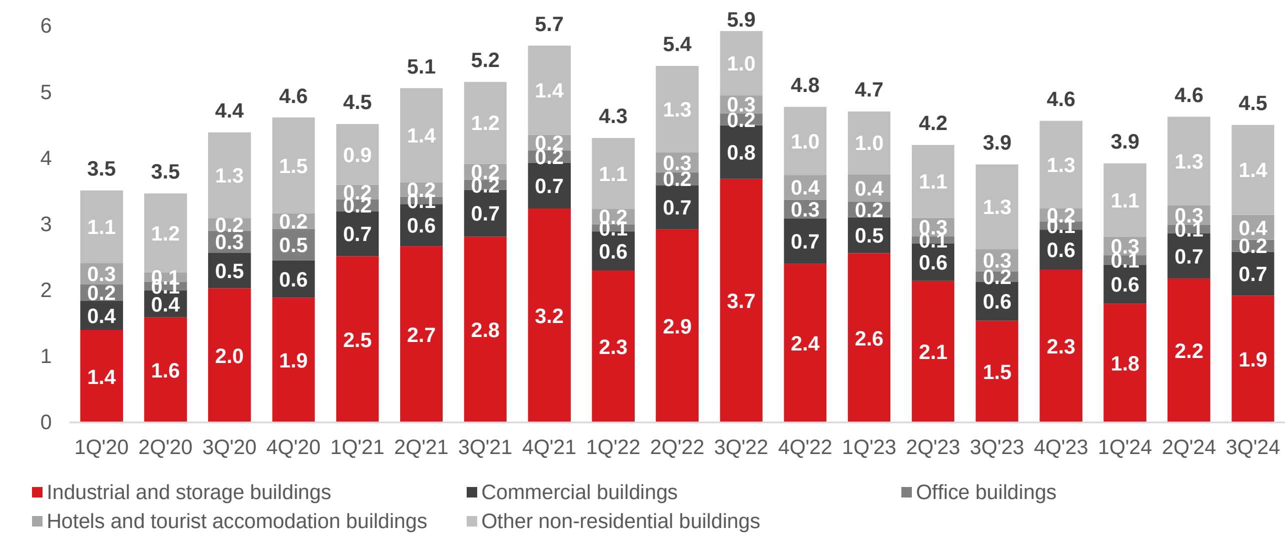



*Źródło: Mercor, Pekao Equity Research.*

## Update of forecasts

The years 2021 and 2022 in the cubature construction sector in Poland were exceptionally good, which was visible in the issued building permits and notifications of construction with a construction project for non-residential buildings. The first signs of a slowdown were visible already at the turn of 2022 and 2023, and the worst was in 3Q'2023, in which the decline was 34% y/y. Ultimately, in 2023, permits issued for the construction of non-residential buildings in Poland covered an area of 17.4 million m$^2$, i.e. 14.8% less than a year earlier, of which the area for industrial and warehouse buildings was lower by 24.4% y/y. 1Q'2024 was weak with permits issued for 3.9 million m$^2$ (-16.7% y/y), but we witnessed a slight rebound with building permits issued for 4.6 million m$^2$ in 2Q'2024 (+10.2% y/y) and 4.5 million m$^2$ in 3Q'2024 (+15.4% y/y). The first three quarters of 2024 saw permits issued for 13.1 million m$^2$ of non-residential buildings in Poland (+1.9% y/y). However, industrial and warehouse buildings experienced a decline by 5.6% y/y to 5.9 million m$^2$ in 1-3Q'2024.

**Useful floor area of non-residential buildings in issued building permits and construction notifications with a construction project in Poland since 2020 (million m$^2$)**




*Source: GUS.*

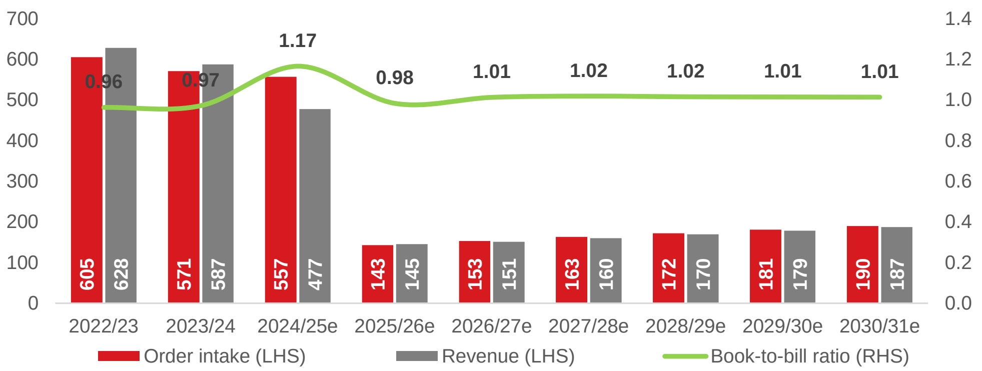
The situation in the Company's key markets varies from market to market. According to Eurostat, Hungary and Romania experienced a decrease in the area of non-residential building permits issued in 1-3Q'2024 by -41% y/y and -11% y/y, respectively. On the other hand, Slovakia doubled the area of permits issued in 1-3Q'2024, but this is a very tiny market. In turn, Spain experienced a growth of 34% y/y and the area of permits in the Czech Republic increased by 18% y/y in 1-3Q'2024, but it is worth remembering that these two markets together were smaller in 2023 than Poland alone. In the European Union, there was a 2.7% y/y increase in the useful floor area in 1-3Q'2024.

In the short term, we see no clear signs of an improvement in the industry. In Poland, we would rather expect a new-normal level of industrial and warehouse building permits for around 8 million $m^2$ per year in the mid-term given a higher level of vacancy rate approaching around 8%. Furthermore, the data on construction and assembly production are weak. According to GUS, the construction and assembly production from January to November 2024 declined by 11% y/y, however, the construction of buildings was lower by 4% y/y. Data from foreign markets are mixed.

We expect the above will contribute to a decline in the number of orders in the short term and a return to normalized levels. In the case of warehouse and industrial buildings in Poland, a high number of newly constructed facilities resulting from the record number of permits issued in 2021 and 2022 and the high vacancy rate may pose a risk of a longer slowdown.

In 2024/25, we assume a slight decrease in order intake to PLN 557mn (-2.4% y/y) (incl. Russian OOO Mercor-Proof). According to our estimates, the Company should generate PLN 477mn of revenue in 2024/25e (excl. Russian OOO Mercor-Proof). Beginning from 2025/26e, the chart below presents order intake and revenue from continuing operations.

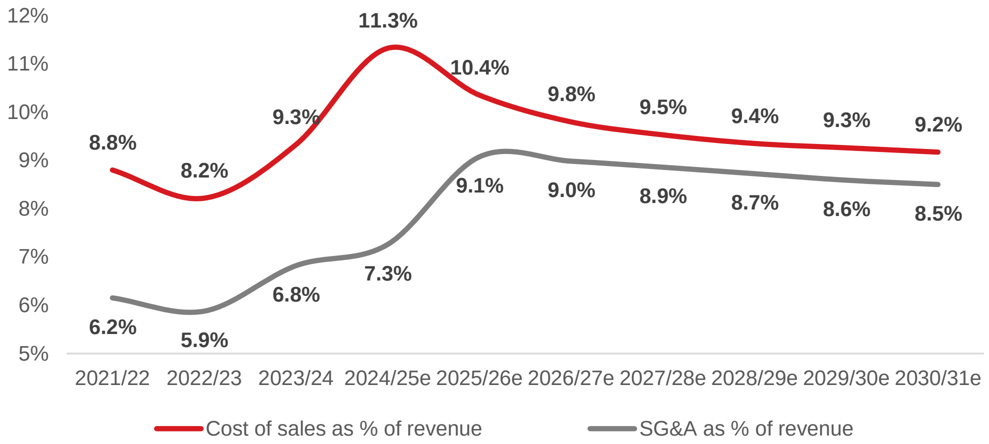
**Mercor's order intake and revenue forecast (PLN mn)**




*Note: The chart above shows 2022/23 and 2023/24 figures as published, 2024/25e figures without OOO Mercor-Proof, and continuing operations from 2025/26e.*
*Source: Mercor, Pekao Equity Research.*

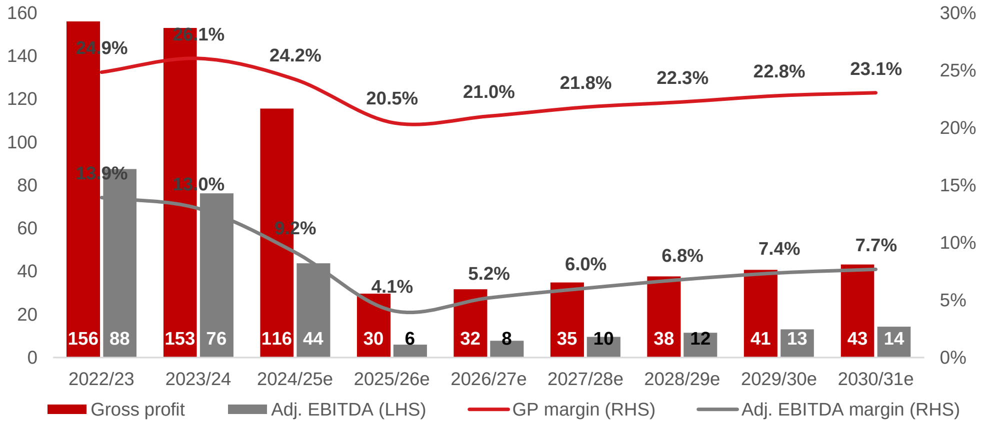
So far, Mercor looked decent in terms of gross profit margin, but we expect its deterioration due to a weaker market and higher competition, which has already been visible in the reported data. Furthermore, the business remaining in the Company is less profitable than that subject to the transaction, so we expect a visibly lower gross profit margin in 2025/26e. Furthermore, the ratio of the Company's SG&A costs to its revenue should rise which should result in a higher burden from SG&A costs and lower profitability. Margins should improve once the market returns to growth. In our opinion, Mercor is able to achieve a high-single-digit EBITDA margin in the long-term.

**Mercor's operating costs as % of revenue**




*Note: The chart above shows 2022/23 and 2023/24 figures as published, 2024/25e figures without OOO Mercor-Proof, and continuing operations from 2025/26e.*
*Source: Mercor, Pekao Equity Research.*

**Mercor's gross profit and adj. EBITDA (PLN mn)**




*Note: The chart above shows 2022/23 and 2023/24 figures as published, 2024/25e figures without OOO Mercor-Proof, and continuing operations from 2025/26e.*
*Source: Mercor, Pekao Equity Research.*

Regarding the transaction with Kingspan Group, it is important that the M&A process may take several months. Initially, we would assume the closing in the summer of 2025 (we assume in the mid of August 2025) with a dividend payment in September/October 2025. We would not expect the Company to allocate the entire amount to dividend, but it may be more than half of that amount, which was in the case of the transaction with Assa Abloy in 2013. Following the transaction, we would expect the Company to pay a dividend of PLN 15.00/share. In the following years, we assume a modest level of dividends given the Company's lower scale of operations. In our view, earn-out is at risk given a weak short-term outlook in the sector, so we suppose that lower levels are more probable than higher levels of earn-out. For that reason, we assume that the Company will be entitled to achieve PLN 15mn of earn-out in 2026/27e. We assume that the total tax associated with the transaction will amount to PLN 29mn (including tax for earn-out). Of course, the Company will go net cash positive following the transaction.

**Mercor – the assumptions of key earning's drivers**

| PLN mn | 2022/23 | 2023/24 | 2024/25e | 2025/26e | 2026/27e | 2027/28e |
|---|---|---|---|---|---|---|
| Order intake | 605 | 571 | 557 | 143 | 153 | 163 |
| Book-to-bill ratio | 0.96 | 0.97 | 1.17 | 0.98 | 1.01 | 1.02 |
| **Revenue** | **628** | **587** | **477** | **145** | **151** | **160** |
| *change y/y* | *26.7%* | *-6.5%* | *-18.7%* | *-69.6%* | *3.9%* | *6.1%* |
| COGS | -472 | -434 | -362 | -116 | -119 | -125 |
| **Gross profit** | **156** | **153** | **116** | **30** | **32** | **35** |
| Cost of sales | -52 | -55 | -54 | -15 | -15 | -15 |
| SG&A | -37 | -40 | -35 | -13 | -14 | -14 |
| **EBIT** | **69** | **57** | **26** | **246** | **18** | **5** |
| **Adj. EBIT** | **69** | **57** | **26** | **2** | **3** | **5** |
| D&A | -19 | -19 | -18 | -4 | -4 | -4 |
| **EBITDA** | **88** | **76** | **44** | **251** | **23** | **10** |
| **Adj. EBITDA** | **88** | **76** | **44** | **6** | **8** | **10** |
| **EBT** | **60** | **59** | **24** | **248** | **24** | **11** |
| **Net profit** | **42** | **49** | **18** | **221** | **20** | **9** |
| Operating cash flow | 64 | 49 | 51 | -23 | 17 | 5 |
| CAPEX | -11 | -20 | -12 | -4 | -4 | -4 |
| **Free Cash Flow to the Firm (FCFF)** | **53** | **29** | **39** | **1** | **2** | **3** |
| FCFF per share (PLN) | 3.41 | 1.85 | 2.53 | 0.04 | 0.16 | 0.19 |
| Net debt | 67 | 74 | 69 | -107 | -119 | -114 |
| Net working capital | 112 | 120 | 100 | 28 | 29 | 31 |
| CAPEX / Revenue (%) | 1.7% | 3.4% | 2.5% | 2.5% | 2.5% | 2.5% |
| Net working capital / Revenue (%) | 17.8% | 20.4% | 20.9% | 19.6% | 19.5% | 19.4% |

*Note: The table above shows 2022/23 and 2023/24 figures as published, 2024/25e figures without OOO Mercor-Proof, and continuing operations from 2025/26e.*

*Source: Mercor, Pekao Equity Research.*

## Risk factors

Mercor is exposed to a number of internal and external risks related to running a business, the most important of which are:

- **Economic situation in cubature and high-rise construction**. The Company's clients are mainly general contractors. The weaker economic situation in the construction industry may translate into a decrease in demand for the Company's products/services and deterioration of financial results.
- **Prices of production materials.** An increase in the prices of production materials in relation to the planned level at the time of submitting the offer may result in an increase in costs and deterioration of the Company's profitability.
- **Availability of significant raw material resources.** In its production process, the Company mainly uses steel, aluminum and polycarbonate. Lower availability of raw materials may adversely affect the Company's ability to fulfill the signed contracts and cause an increase in the prices of these raw materials.
- **War in Ukraine.** The ongoing armed conflict between Russia and Ukraine has a direct and indirect impact. The indirect impact is a possible change in investors' moods and preferences, increase in prices and problems with the availability of production and energy raw materials, potential disruptions in supply chains. In addition, Mercor holds a 55% share in the share capital of the company in Ukraine (TOB MERCOR UKRAINA sp. z o.o.) and a 55% share in the share capital of the company in Russia (OOO Mercor-PROOF LLC). Loss of control or other unfavorable events may result in a write-off, showing a loss in the financial statements and loss of markets.
- **Change in interest rates**. Mercor has debt due to credits, loans and finance leases. An increase in interest rates may result in an increased cost of servicing this debt.
- **Changes in exchange rates**. The Group has its branches and production plants abroad and concludes transactions in currencies other than the functional one. The Group uses hedging by concluding forward transactions, but it is not possible to completely eliminate the impact of changes in exchange rates.
- **Inflation rate**. Higher prices may adversely affect the Company's profitability. In addition, higher inflation may increase employees' wage expectations.
- **Counterparty credit risk**. In the event of a deterioration in the liquidity situation of customers, the Company may experience problems with recovering receivables on time.
- **Availability of workers with appropriate qualifications**. The company provides its customers with ready-made solutions in the field of fire protection in buildings, for which it is necessary to have adequately qualified employees. The shortage of employees may adversely affect the ability to implement an appropriate number of projects and decrease revenues.
- **Risk of unfavorable tax decisions**. There is a risk that the correctness of the calculated taxes will be questioned by the tax authorities and a risk of issuance of decisions unfavorable to the Company.
- **Risk of the transaction with Kingspan Group.** The risk of failure to complete the transaction to sell a significant part of the business may change the Company’s picture compared to the assumed scenario in this report. There is also a risk associated with a possible payment of earn-out.

## Valuation

Our valuation implies the 12M target price at PLN 24.50 per share, which constitutes a 14.0% downside potential. We base our 12M target price valuation on the DCF and multiples with 100% and 0% weighting, respectively. Our peers valuation is presented for illustrative purposes as it carries 0% weight.

**Mercor: Valuation summary**

| Valuation method | Derived price (PLN) | Weighting (%) |
|---|---|---|
| 12M DCF valuation | 24.50 | 100% |
| 12M Multiples valuation | 16.24 | 0% |
| **12M target price** | **24.50** | |
| Current price | 28.50 | |
| Upside/downside (%) | -14.0% | |

*Source: Pekao Equity Research.*

## Peer valuation

| | | P/E | | | EV/EBITDA | | |
|---|---|---|---|---|---|---|---|
| **Compay name** | **Ticker** | **2024/25e** | **2025/26e** | **2026/27e** | **2024/25e** | **2025/26e** | **2026/27e** |
| ASSA ABLOY AB-B | ASSAB SS | 22.7 | 20.4 | 18.5 | 14.4 | 13.4 | 12.5 |
| LEGRAND SA | LR FP | 20.6 | 19.1 | 17.8 | 14.2 | 13.2 | 12.4 |
| DORMAKABA HOLDING AG | DOKA SW | 21.4 | 19.0 | 16.8 | 7.5 | 6.8 | 6.3 |
| ALLEGION PLC | ALLE US | 17.2 | 16.4 | 15.1 | 13.8 | 13.0 | 12.3 |
| BIFIRE SPA | FIRE IM | 9.4 | 8.1 | 6.8 | 4.5 | 3.9 | 3.4 |
| CARRIER GLOBAL CORP | CARR US | 26.5 | 22.4 | 19.4 | 16.9 | 15.9 | 14.5 |
| SYSTEMAIR AB | SYSR SS | 21.8 | 19.0 | 16.6 | 11.6 | 10.3 | 9.5 |
| **Median total** | | **21.4** | **19.0** | **16.8** | **13.8** | **13.0** | **12.3** |
| | | | | | | | |
| **Mercor** | | **24.6** | **155.2** | **59.1** | **11.6** | **55.3** | **40.4** |
| *Premium/discount vs. Median* | | *14%* | *718%* | *251%* | *-16%* | *325%* | *229%* |
| **Implied value per share (PLN)** | | **24.89** | **3.49** | **8.12** | **34.81** | **12.04** | **14.09** |

*Note: Multiples and peer valuation based on the Company's adj. EBITDA and adj. net profit.*

*Source: Pekao Equity Research.*

## ESG rating

| Mercor Construction | E | S | G |
|---|---|---|---|
| Score | 0.77 | 0.80 | 1.08 |
| Sector weight | 30% | 40% | 30% |
| **Final ESG Score** | | **0.87** | |
| **ESG Rating** | | **C** | |

| | score from: | to | Rating | WACC risk premium impact (% of RFR) |
|---|---|---|---|---|
| **ESG Score** | 1.5 | 2 | **A** | -15.0% |
| | 1 | 1.5 | **B** | -7.5% |
| | 0.5 | 1 | **C** | 0.0% |
| | 0 | 0.5 | **D** | 15.0% |

*Source: Pekao Equity Research.*

## DCF valuation

We have developed a 6-year DCF valuation model based on our detailed financial model for the Company's operating activity until 2030/31. After that, we assume a steady growth phase and apply the Gordon model to calculate the terminal value.

The resulting cash flows constitute the input to our valuation, based on which we calculate the present value of those cash flows. The key assumptions incorporated in our DCF valuation model are as follows:

- Risk-free rate of 5.8% from 2025/26e to 2030/31e and 4.0% in the terminal year.
- Equity risk premium of 6.0% from 2025/26e to 2030/31e and 5.0% in the terminal year.
- Beta coefficient of 1.0.
- No additional ESG discount/premium to the cost of equity, based on ESG rating.
- Credit margin of 2.0% based on historical data.
- Corporate income tax rate of 19%.
- Dynamic weight of equity and debt, in the calculation of weighted cost of capital (WACC).
- Target EBITDA margin of 8.0% and EBIT margin of 5.5% in the residual period, respectively.
- Terminal CAPEX at the level with a consideration of ROIC and an assumed growth rate in the residual period.
- 2.5% growth of free cash flow in the residual period.
- We adjusted the valuation by: (1) the present value of after-tax remuneration for the transaction of PLN 313mn which we assume to be paid in August 2025, (2) the present value of after-tax earn-out of PLN 10mn which we assume to be paid in August 2026, and (3) the present value of free cash flow to be generated from April 2025 to August 2025 (assumed date of closing the transaction) of PLN 8mn.
- We also added the value of non-operating assets of PLN 19mn, including PLN 13mn of the Company's stake in OOO Mercor-Proof consolidated using the equity method.

# DCF valuation

## WACC calculation

| | 2025/26e | 2026/27e | 2027/28e | 2028/29e | 2029/30e | 2030/31e | Terminal Year |
|---|---|---|---|---|---|---|---|
| Risk free rate | 5.8% | 5.8% | 5.8% | 5.8% | 5.8% | 5.8% | 4.0% |
| Equity risk premium | 6.0% | 6.0% | 6.0% | 6.0% | 6.0% | 6.0% | 5.0% |
| Beta | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| ESG discount/premium | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| **Cost of equity** | **11.8%** | **11.8%** | **11.8%** | **11.8%** | **11.8%** | **11.8%** | **9.0%** |
| Cost of debt | 7.8% | 7.8% | 7.8% | 7.8% | 7.8% | 7.8% | 7.8% |
| **After-tax cost of debt** | **6.9%** | **6.6%** | **6.3%** | **6.3%** | **6.3%** | **6.3%** | **6.3%** |
| Equity weight | 83% | 100% | 100% | 100% | 100% | 100% | 100% |
| **WACC** | **11.0%** | **11.8%** | **11.8%** | **11.8%** | **11.8%** | **11.8%** | **9.0%** |

## DCF valuation

| (PLN mn) | 2025/26e | 2026/27e | 2027/28e | 2028/29e | 2029/30e | 2030/31e | Terminal Year |
|---|---|---|---|---|---|---|---|
| Revenues | 145.4 | 151.0 | 160.2 | 169.6 | 178.5 | 187.3 | 192.0 |
| EBIT | 1.5 | 3.4 | 5.5 | 7.1 | 8.8 | 10.1 | 10.6 |
| Taxes on EBIT | -0.3 | -0.6 | -1.0 | -1.3 | -1.7 | -1.9 | -2.0 |
| **NOPAT** | **1.2** | **2.7** | **4.4** | **5.7** | **7.2** | **8.2** | **8.6** |
| Depreciation and amortisation | 4.5 | 4.5 | 4.2 | 4.4 | 4.3 | 4.3 | 4.4 |
| Capital expenditures | -3.6 | -3.8 | -4.0 | -4.2 | -4.5 | -4.7 | -6.4 |
| Change in NWC | -1.5 | -0.9 | -1.7 | -1.9 | -1.8 | -1.7 | -0.9 |
| **FCFF** | **0.6** | **2.5** | **2.9** | **4.0** | **5.3** | **6.1** | **5.6** |
| *Terminal value growth* | | | | | | | *2.5%* |
| Terminal value | | | | | | | 86.9 |
| *Discount factor* | *0.88* | *0.79* | *0.70* | *0.63* | *0.56* | *0.50* | *0.50* |
| **Present value of FCFF and TV** | **0.5** | **2.0** | **2.0** | **2.5** | **3.0** | **3.1** | **43.8** |
| **Enterprise Value** | **56.8** | | | | | | |
| Minorities | 2.6 | | | | | | |
| Net debt | 69.0 | | | | | | |
| Non-operating assets | 19.2 | | | | | | |
| Other adjustments | 331.4 | | | | | | |
| **Equity Value** | **335.7** | | | | | | |
| Number of shares (mn) | 15.3 | | | | | | |
| **12M target price per share (PLN)** | **24.50** | | | | | | |
| Share price on January 9, 2025 (PLN) | 28.50 | | | | | | |
| *Upside/Downside vs. current price* | *-14.0%* | | | | | | |

| | 2025/26e | 2026/27e | 2027/28e | 2028/29e | 2029/30e | 2030/31e | Terminal Year |
|---|---|---|---|---|---|---|---|
| Revenues growth | -70% | 4% | 6% | 6% | 5% | 5% | 2.5% |
| EBIT margin | 1.0% | 2.2% | 3.4% | 4.2% | 5.0% | 5.4% | 5.5% |
| Effective tax rate | 22.0% | 19.0% | 19.0% | 19.0% | 19.0% | 19.0% | 19.0% |
| Capex/revenues | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | |
| Capex/depreciation and amortization | 81.6% | 84.5% | 95.5% | 95.7% | 103.3% | 108.7% | |

## Sensitivity of 12M target price per share to Terminal value growth & WACC

| Terminal value growth/WACC | 1.0% | 1.5% | 2.0% | 2.5% | 3.0% | 3.5% | 4.0% |
|---|---|---|---|---|---|---|---|
| **-2.0%** | 26.65 | 26.70 | 26.76 | 26.83 | 26.92 | 27.04 | 27.19 |
| **-1.0%** | 25.52 | 25.51 | **25.49** | **25.48** | **25.46** | 25.43 | 25.40 |
| **0.0%** | 24.64 | 24.60 | **24.55** | **24.50** | **24.43** | 24.36 | 24.27 |
| **1.0%** | 23.93 | 23.88 | **23.82** | **23.75** | **23.66** | 23.57 | 23.46 |
| **2.0%** | 23.35 | 23.28 | 23.22 | 23.14 | 23.05 | 22.96 | 22.85 |

## Sensitivity of 12M target price per share to key drivers' of company earnings

| Target EBITDA margin/change in the market share | -30.0% | -20.0% | -10.0% | 0.0% | 10.0% | 20.0% | 30.0% |
|---|---|---|---|---|---|---|---|
| **10.0%** | 24.35 | 24.67 | 24.98 | 25.29 | 25.60 | 25.92 | 26.23 |
| **9.0%** | 24.06 | 24.34 | **24.62** | **24.89** | **25.17** | 25.45 | 25.73 |
| **8.0%** | 23.76 | 24.01 | **24.25** | **24.50** | **24.74** | 24.99 | 25.23 |
| **7.0%** | 23.46 | 23.67 | **23.89** | **24.10** | **24.31** | 24.52 | 24.73 |
| **6.0%** | 23.15 | 23.33 | 23.51 | 23.70 | 23.88 | 24.05 | 24.23 |

*Source: Pekao Equity Research.*

## Key financial data

| P&L (PLN mn) | 2022/23 | 2023/24 | 2024/25e | 2025/26e | 2026/27e | 2027/28e |
|---|---|---|---|---|---|---|
| **Revenues** | **628** | **587** | **477** | **145** | **151** | **160** |
| **Gross Profit** | **156** | **153** | **116** | **30** | **32** | **35** |
| SG&A | -89 | -95 | -89 | -28 | -28 | -29 |
| **EBITDA** | **88** | **76** | **44** | **251** | **23** | **10** |
| **Adj. EBITDA** | **88** | **76** | **44** | **6** | **8** | **10** |
| **EBIT** | **69** | **57** | **26** | **246** | **18** | **5** |
| **Adj. EBIT** | **69** | **57** | **26** | **2** | **3** | **5** |
| Financial Income/Cost | -6 | 3 | -5 | -1 | 2 | 2 |
| **Pretax Profit** | **60** | **59** | **24** | **248** | **24** | **11** |
| Income Tax | -13 | -7 | -5 | -27 | -4 | -2 |
| **Net Profit** | **42** | **49** | **18** | **221** | **20** | **9** |
| **EPS (PLN)** | **2.68** | **3.17** | **1.16** | **14.45** | **1.33** | **0.61** |

| Balance Sheet (PLN mn) | 2022/23 | 2023/24 | 2024/25e | 2025/26e | 2026/27e | 2027/28e |
|---|---|---|---|---|---|---|
| **Total Current Assets** | **252** | **210** | **204** | **185** | **196** | **194** |
| Cash and Equivalents | 29 | 14 | 15 | 130 | 143 | 137 |
| Other Current Assets | 223 | 196 | 189 | 54 | 53 | 56 |
| **Total Fixed Assets** | **195** | **200** | **193** | **70** | **73** | **76** |
| Tangible Assets | 79 | 74 | 68 | 15 | 14 | 13 |
| Other Fixed Assets | 116 | 126 | 125 | 55 | 59 | 63 |
| **Total Assets** | **448** | **410** | **396** | **255** | **269** | **270** |
| **Stockholders` Equity** | **214** | **225** | **208** | **199** | **215** | **214** |
| **Noncontrolling interest** | **12** | **3** | **3** | **3** | **3** | **3** |
| **Long Term Liabilities** | **86** | **75** | **89** | **25** | **25** | **25** |
| Long -Term Debt | 82 | 71 | 84 | 24 | 24 | 24 |
| Other Long - Term liabilities | 4 | 4 | 6 | 2 | 1 | 1 |
| **Short Term Liabilities** | **136** | **107** | **97** | **28** | **26** | **28** |
| Short -Term Debt | 14 | 17 | 0 | 0 | 0 | 0 |
| Other Current Liabilities | 121 | 90 | 97 | 28 | 26 | 28 |
| **Total Equity & Liabilities** | **448** | **410** | **396** | **255** | **269** | **270** |
| Net debt | 67 | 74 | 69 | -107 | -119 | -114 |

| Cash Flow (PLN mn) | 2022/23 | 2023/24 | 2024/25e | 2025/26e | 2026/27e | 2027/28e |
|---|---|---|---|---|---|---|
| Net Profit | 42 | 49 | 18 | 221 | 20 | 9 |
| Depreciation and Amortisation | 19 | 19 | 18 | 4 | 4 | 4 |
| Other (incl. WC) | 3 | -20 | 15 | -249 | -8 | -9 |
| **Operating Cash Flows** | **64** | **49** | **51** | **-23** | **17** | **5** |
| Capital Expenditures | -11 | -20 | -12 | -4 | -4 | -4 |
| Other | -1 | 1 | -1 | 362 | 4 | 4 |
| **Cash Flows from Investing Activities** | **-12** | **-19** | **-13** | **359** | **0** | **0** |
| Dividends paid | -10 | -24 | -24 | -230 | -4 | -10 |
| Other | -33 | -20 | -14 | 11 | -1 | -1 |
| **Cash Flows from Financing Activities** | **-43** | **-44** | **-38** | **-219** | **-5** | **-11** |
| Others/FX effect | 0 | -2 | 0 | 0 | 0 | 0 |
| Change in Cash | 9 | -14 | 1 | 116 | 13 | -6 |
| **Cash at the end of period** | **29** | **14** | **15** | **130** | **143** | **137** |
| DPS (PLN) | 0.63 | 1.51 | 0.77 | 15.00 | 0.29 | 0.67 |
| **Y/Y growth ratios** | | | | | | |
| Revenues | 27% | -7% | -19% | -70% | 4% | 6% |
| EBITDA | 50% | -13% | -43% | 473% | -91% | -58% |
| EBIT | 56% | -17% | -55% | 850% | -93% | -70% |
| Net profit | 40% | 18% | -64% | 1145% | -91% | -54% |
| EPS | 40% | 18% | -63% | 1145% | -91% | -54% |
| **Margins** | | | | | | |
| **EBITDA** | **13.9%** | **13.0%** | **9.2%** | **172.6%** | **15.1%** | **6.0%** |
| EBIT Margin | 10.9% | 9.7% | 5.4% | 169.6% | 12.2% | 3.4% |
| Net Margin | 6.6% | 8.4% | 3.7% | 152.3% | 13.5% | 5.8% |
| **ROE** | **20.9%** | **22.5%** | **8.2%** | **108.7%** | **9.8%** | **4.3%** |
| **Balance Sheet Ratios** | | | | | | |
| BVPS (PLN) | 13.73 | 14.48 | 13.56 | 13.01 | 14.05 | 13.99 |
| Net debt/EBITDA | 0.8 | 1.0 | 1.6 | -0.4 | -5.2 | -11.8 |
| Bank Debt/Equity | 45.1% | 38.9% | 40.2% | 11.8% | 10.9% | 11.0% |

*Note: The table above shows 2022/23 and 2023/24 figures as published, 2024/25e figures without OOO Mercor-Proof, and continuing operations from 2025/26e.*

*Source: Pekao Equity Research.*

# Summary of key financial data

| PLN mn | 2022/23 | 2023/24 | 2024/25e | 2025/26e | 2026/27e | 2027/28e | 2028/29e | 2029/30e | 2030/31e |
|---|---|---|---|---|---|---|---|---|---|
| EPS, GAAP | 2.68 | 3.17 | 1.16 | 14.45 | 1.33 | 0.61 | 0.69 | 0.79 | 0.86 |
| Revenue | 628 | 587 | 477 | 145 | 151 | 160 | 170 | 179 | 187 |
| Gross Margin % | 24.9% | 26.1% | 24.2% | 20.5% | 21.0% | 21.8% | 22.3% | 22.8% | 23.1% |
| EBIT | 69 | 57 | 26 | 246 | 18 | 5 | 7 | 9 | 10 |
| EBITDA | 88 | 76 | 44 | 251 | 23 | 10 | 12 | 13 | 14 |
| Net Income, GAAP | 42 | 49 | 18 | 221 | 20 | 9 | 11 | 12 | 13 |
| Net Debt | 67 | 74 | 69 | -107 | -119 | -114 | -115 | -116 | -118 |
| BPS | 13.73 | 14.48 | 13.56 | 13.01 | 14.05 | 13.99 | 14.38 | 14.82 | 15.29 |
| DPS | 0.63 | 1.51 | 0.77 | 15.00 | 0.29 | 0.67 | 0.30 | 0.34 | 0.39 |
| Return on Equity % | 20.9% | 22.5% | 8.2% | 108.7% | 9.8% | 4.3% | 4.9% | 5.4% | 5.7% |
| Return on Assets % | 9.5% | 11.5% | 4.4% | 68.0% | 7.8% | 3.5% | 3.9% | 4.3% | 4.5% |
| Depreciation | 13 | 14 | 12 | 3 | 3 | 3 | 3 | 3 | 3 |
| Amortization | 6 | 5 | 5 | 1 | 1 | 1 | 1 | 1 | 1 |
| Free Cash Flow | 53 | 29 | 39 | 1 | 2 | 3 | 4 | 5 | 6 |
| CAPEX | 11 | 20 | 12 | 4 | 4 | 4 | 4 | 4 | 5 |

*Note: The table above shows 2022/23 and 2023/24 figures as published, 2024/25e figures without OOO Mercor-Proof, and continuing operations from 2025/26e.*

*Source: Pekao Equity Research.*

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|---|---|---|---|---|---|---|
| Damian Szparaga | Expert, Analyst | Mercor | n.a. | n.a. | n.a. | n.a. |

BM and/or other legal person part of the same group may regularly trade shares of the analyzed company. BM and/or other related legal persons may hold significant open derivative positions on the stocks of the company. Banks and other legal persons in the Pekao Group may have handed out substantial loans to the analyzed company. BM and/or other related legal persons may have a significant financial interest relating to the analyzed company or may have such at any future point of time. Due to the fact that BM and/or any related legal person are entitled, subject to applicable law, to perform such actions at any future point in time which may lead to the existence of a significant financial interest, it should be assumed for the purposes of this information that BM and/or any related legal person will in fact perform such actions which may lead to the existence of a significant financial interest relating to the analyzed company.

The analyzed company and BM and/or any legal person part of the same group may have concluded an agreement relating to the provision of services of investment firms set out in Sections A and B of Annex I to Directive 2014/65/EU of the European Parliament and of the Council in the previous 12 months, in return for which BM and/or such legal person part of the same group received a consideration or promise of consideration or intends to do so. Due to the fact that BM and/or any legal person part of the same group are entitled to conclude, subject to applicable law, an agreement on services relating to the provision of services of investment firms set out in Sections A and B of Annex I to Directive 2014/65/EU of the European Parliament and of the Council with the analyzed company at any future point in time and may receive a consideration or promise of consideration, it should be assumed for the purposes of this information that BM and/or any legal person part of the same group will in fact conclude such agreements and will in fact receive such consideration or promise of consideration.

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## METHODS USED TO FORMULATE OUR RECOMMENDATIONS:

Our company valuations are based on two valuation methods selected from among the following: discount model, multiples-based model or asset-based valuation method.

**Discount models** are characterized by simultaneous and comprehensive consideration of key determinants of intrinsic value, e.g. operating cash flow, capex, cost of capital (WACC). They are theoretically appealing and provide a direct computation of intrinsic value. However, discount model valuations are highly sensitive to changes in assumptions, particularly the risk free rate and terminal growth rate. Moreover, projections cannot be stated with certainty; unforeseen future events can cause income or earnings projections to be invalid.

**Multiples-based models** are based on the analysis of the valuation multipliers of a given company in relation to other similar companies in the industry. Among strengths of multiplier models we can highlight their simplicity, as they are easy to compute as well as to understand. Moreover, only the key statistics for investors are chosen for valuation. On the other hand, multiples are based on historic data or near-term forecasts. Valuations based on multiples will therefore fail to capture differences in projected performance over the longer term. Finally, it may be problematic to select a suitable peer group.

**Asset-based models** can be used even if a company has a brief record of earnings or its future existence is uncertain. However, it may be challenging to determine market value of some assets, particularly intangibles. Additionally, asset-based models do not take into account future changes in financial results, nor do they include non-balance sheet items, such as know-how.

Valuation models are dependent on macroeconomic factors, such as interest rates, exchange rates, raw materials, and on assumptions about the economy. Furthermore, market sentiment affects the valuation of companies. The valuation is also based on expectations that might change rapidly and without notice, depending on developments specific to individual industries. Our recommendations and target prices derived from the models might therefore change accordingly.

The investment ratings generally relate to a 12-month horizon. They are, however, also subject to market conditions and can only represent a snapshot. The ratings may in fact be achieved more quickly or slowly than expected, or need to be revised upward or downward. In the tables and charts throughout this report, we designate the years with an “E” to denote that the figures presented are forecasts and estimates.

**Definition of ratings used in our publications:**

We currently use a three-tier recommendation system for the stocks in our formal coverage: Buy, Hold, or Sell (see definitions below):
A **Buy** is applied when the expected total return over the next twelve months is higher than 15%.
A **Hold** is applied when the expected total return over the next twelve months is within the range of 0% to 15%.
A **Sell** is applied when the stock's expected total return over the next twelve months is negative.

We employ three further categorizations for stocks in our coverage:
**Restricted:** A rating and/or financial forecasts and/or target price is not disclosed owing to compliance or other regulatory considerations such as blackout period or conflict of interest.
**Coverage in transition:** Due to changes in the research team, the disclosure of a stock's rating and/or target price and/or financial information are temporarily suspended. The stock remains in the research universe and disclosures of relevant information will be resumed in due course.

**Under review**: A rating and/or financial forecasts and/or target price is at the moment under revision of an analyst and the previous rating and/or financial forecasts and/or target price should not be relied on.
**Not rated:** We do not issue company-specific recommendations and we do not plan to issue them in the foreseeable future.

**EXPLANATION OF THE PROFESSIONAL TERMINOLOGY USED IN THE REPORT:**

P/E – „Price/Earnings" is the ratio of the financial instrument price to the net financial result for the issuer of the financial instrument.
P/B – „Price/Book Value" is the ratio of the price of the financial instrument to the issuer's equity capital.
EPS – „Earnings per Share", i.e. net profit per share.
BVPS – „Book Value per Share".
FWD – „Forward" - stands for the ratio (eg. P/E) calculated on the basis of the expected results.
DPS – „Dividend per Share".
DY – "Dividend Yield", a ratio calculated as dividends per share divided by the current share price.
EBIT – „Earnings Before Interest and Taxes".
EBITDA - „Enterprise Value / Earnings Before Interest, Taxes, Depreciation and Amortization".
EV/EBITDA – "Enterprise Value / Earnings Before Interest, Taxes, Depreciation and Amortization" is the company's market capitalization (price x number of shares) increased by the value of net financial debt and the value of minority shareholders divided by the operating result increased by the value of the company's asset depreciation.
AGM – Annual General Meeting