WSE Analytical Coverage Program

8/2025/GPW (18) March 30, 2025

This report is prepared for the Warsaw Stock Exchange SA within the framework of the Analytical Coverage Support Program 4.0.

SEKO

Analyst:
Mikołaj Stępień

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This is an excerpt from the Polish version of DM BOŚ SA's research report.

SEKO

Sector: Consumer staples
Bloomberg code: SEK PW
Price: PLN 9.18
12M EFV: PLN 15.5 (→)

Market Cap: US$ 15 m
Av. daily turnover: US$ 0.01 m
12M range: PLN 9.04-14.40
Free float: 38%

Guide to adjusted profits
No factors necessitating adjustments.

Recommended action

SEKO is a well-recognized brand in the fish processing industry operating a modern production plant. The Company has established strong relationships with big and trusted clients and maintains its ability to generate free cash flows.

In 2025, we expect a recovery in sales and an improvement in profitability (with the EBIT margin increasing to 5.0% from 4.6% in 2024), supported by investments in energy efficiency and a favorable EUR/PLN exchange rate. Potential share price catalysts include: higher sales volumes, reduced pricing pressure, export growth, and lower energy costs. According to our estimates this year SEKO may be able to pay out a PLN 0.70 dividend per share that implies a high single-digit dividend yield.

We uphold 12M EFV at PLN 15.5 per share.

Key data

IFRS consolidated		2024	2025E	2026E	2027E
Sales	*PLN m*	235.2	249.5	262.0	267.2
EBITDA	*PLN m*	18.3	20.2	21.3	21.8
EBIT	*PLN m*	10.8	12.4	13.4	13.7
Net profit	*PLN m*	9.5	9.9	10.5	10.9
EPS	*PLN*	1.43	1.49	1.58	1.64
EPS yoy chg	*%*	-36.4	4.4	6.1	3.4
Net debt	*%*	-4.0	-6.2	-9.1	-12.9
P/E	*x*	6.4	6.2	5.8	5.6
P/CE	*x*	3.6	3.6	3.6	3.6
EV/EBITDA	*x*	3.1	2.8	2.7	2.6
EV/EBIT	*x*	5.3	4.6	4.3	4.2
DPS	*PLN*	1.00	0.70	0.75	0.80
Gross dividend yield	*%*	10.9	7.6	8.2	8.7
No. of shares (eop)	*m*	6.7	6.7	6.7	6.7

Source: Company, DM BOŚ SA estimates

Stock performance

Source: Bloomberg

Recent events

1. Ex-dividend day (DPS at PLN 1): May 20, 2024
2. Release of consolidated 2Q24 financial results: August 23, 2024
3. Release of consolidated 3Q24 financial results: November 05, 2024
4. Release of consolidated 4Q24 financial results: March 21, 2025

Upcoming events

1. Release of consolidated 1Q25 financial results: May 6

4Q24 financial results review

4Q24 financial results beat our expectations, albeit sales at PLN 78 million (down 4% yoy) were in line with our expectations. EBITDA at PLN 8.4 million (down 31% yoy) and EBIT at PLN 6.5 million (down 39%) exceeded our expectations by PLN 1 million. 4Q24 net profit reached PLN 5.6 million (down 44% yoy) and was ahead of our expectations as well. Margins came out lower than in exceptionally good 4Q of 2022 and 2023, though they do not vary much from a pre-pandemic average.

FY24 financial results

Last year SEKO's revenues/ EBITDA/ EBIT/ net profit reached PLN 235.2 million (-10% yoy)/ 18.3 million (-25% yoy)/ 10.8 million (-39% yoy)/ 9.5 million (-36% yoy). Sales fell due to (i) lower demand (volumes down 7% yoy), (ii) pressure on prices from retail chains (prices of fish products down 2% yoy) and (iii) refurbishment of the Company's own fuel station (fuel volumes down 17% yoy) which in turn affected the profitability that deteriorated yoy.

However, it's worth remembering that last year's material decline of SEKO's figures is an effect of the high base in 2023. The profitability seen in 2024 doesn't vary from the pre-pandemic levels. What's more, SEKO has retained the ability to generate free cash flows and its net cash position is the highest in years.

Forecast changes

We modify our forecasts incorporating FY24 financial results which causes only marginal changes. We expect a sales rebound this year mainly due to the low base effect.

The profitability will be under the negative impact of a further wages increase while continued PLN strengthening vs EUR and co-generator launch (helping to reduce energy costs) should exert the positive impact.

All in all, we expect a single-digit sales growth in 2025 and the EBIT margin increase to 5% vs 4.6% in 2024.

Dividend

SEKO traditionally pays out about a half of its profits in the form of dividend. In 2024 the profit per share reached PLN 1.43 and we expect a PLN 0.70 dividend per share. Given SEKO's current market share price this would suggest a high single-digit dividend yield.

Valuation

Given slight modifications of our forecast 12M EFV at PLN 15.5 per share stays intact.

Catalysts

1. Rebound of the sales volume
2. Lighter pressure on prices from retail chains
3. Sales expansion abroad
4. Energy cost cutting thanks to pro-environment investments

Risk factors

1. Energy and raw material prices increase
2. Revenues lost to competitors
3. Unfavorable changes in FX rates
4. Further growth of labor costs
5. Loss of key clients

Competitive advantages

1. Own production plant constantly modernized
2. Recognized brand
3. Long-standing cooperation with big and trusted customers

BASIC DEFINITIONS
A/R turnover (in days) = 365/(sales/average A/R))
Inventory turnover (in days) = 365/(COGS/average inventory))
A/P turnover (in days) = 365/(COGS/average A/P))
Current ratio = ((current assets – ST deferred assets)/current liabilities)
Quick ratio = ((current assets – ST deferred assets – inventory)/current liabilities)
Interest coverage = (pre-tax profit before extraordinary items + interest payable/interest payable)
Gross margin = gross profit on sales/sales
EBITDA margin = EBITDA/sales
EBIT margin = EBIT/sales
Pre-tax margin = pre-tax profit/sales
Net margin = net profit/sales
ROE = net profit/average equity
ROA = (net income + interest payable)/average assets
EV = market capitalization + interest bearing debt – cash and equivalents
EPS = net profit/ no. of shares outstanding
CE = net profit + depreciation
Dividend yield (gross) = pre-tax DPS/stock market price
Cash sales = accrual sales corrected for the change in A/R
Cash operating expenses = accrual operating expenses corrected for the changes in inventories and A/P, depreciation, cash taxes and changes in the deferred taxes

DM BOŚ S.A. generally values the covered non bank companies via two methods: comparative method and DCF method (discounted cash flows). The advantage of the former is the fact that it incorporates the current market assessment of the value of the company's peers. The weakness of the comparative method is the risk that the valuation benchmark may be mispriced. The advantage of the DCF method is its independence from the current market valuation of the comparable companies. The weakness of this method is its high sensitivity to undertaken assumptions, especially those related to the residual value calculation. Please note that we also resort to other valuation techniques (e.g. NAV-, DDM- or SOTP-based), should it prove appropriate in a given case.

Banks
Net Interest Margin (NIM) = net interest income/average assets
Non interest income = fees&commissions + result on financial operations (trading gains) + FX gains
Interest Spread = (interest income/average interest earning assets)/ (interest cost/average interest bearing liabilities)
Cost/Income = (general costs + depreciation)/ (profit on banking activity + other net operating income)
ROE = net profit/average equity
ROA = net income/average assets
Non performing loans (NPL) = loans in 'basket 3' category
NPL coverrage ratio = loan loss provisions/NPL
Net provision charge = provisions created – provisions released

DM BOŚ S.A. generally values the covered banks via two methods: comparative method and fundamental target fair P/E and target fair P/BV multiples method. The advantage of the former is the fact that it incorporates the current market assessment of the value of the company's peers. The weakness of the comparative method is the risk that the valuation benchmark may be mispriced. The advantage of the fundamental target fair P/E and target fair P/BV multiples method is its independence of the current market valuation of the comparable companies. The weakness of this method is its high sensitivity to undertaken assumptions, especially those
related to the residual value calculation. Assumptions used in valuation can change, influencing thereby the level of the valuation. Among the most important assumptions are: GDP growth, forecasted level of inflation, changes in interest rates and currency prices, employment level and change in wages, demand on the analysed company products, raw material prices, competition, standing of the main customers and suppliers, legislation changes, etc. Changes in the environment of the analysed company are monitored by analysts involved in the preparation of the recommendation, estimated, incorporated in valuation and published in the recommendation whenever needed.

KEY TO INVESTMENT RANKINGS

This is a guide to expected price performance in absolute terms over the next 12 months:
Buy – fundamentally undervalued (upside to 12M EFV in excess of the cost of equity) + catalysts which should close the valuation gap identified;
Hold – either (i) fairly priced, or (ii) fundamentally undervalued/overvalued but lacks catalysts which could close the valuation gap;
Sell – fundamentally overvalued (12M EFV < current share price + 1-year cost of equity) + catalysts which should close the valuation gap identified.

This is a guide to expected relative price performance:
Overweight – expected to perform better than the benchmark (WIG) over the next quarter in relative terms
Neutral – expected to perform in line with the benchmark (WIG) over the next quarter in relative terms
Underweight – expected to perform worse than the benchmark (WIG) over the next quarter in relative terms

The recommendation tracker presents the performance of DM BOŚ S.A.'s recommendations. A recommendation expires on the day it is altered or on the day 12 months after its issuance, whichever comes first.
Relative performance compares the rate of return on a given recommended stock in the period of the recommendation's validity (i.e. from the date of issuance to the date of alteration or – in case of maintained recommendations – from the date of issuance to the current date) in a relation to the rate of return on the benchmark in this time period. The WIG index constitutes the benchmark. For recommendations that expire by an alteration or are maintained, the ending values used to calculate their absolute and relative performance are: the stock closing price on the day the recommendation expires/ is maintained and the closing value of the benchmark on that date. For recommendations that expire via a passage of time, the ending values used to calculate their absolute and relative performance are: the average of the stock closing prices for the day the recommendation elapses and four directly preceding sessions and the average of the benchmark's closing values for the day the recommendation expires and four directly preceding sessions.

Distribution of DM BOŚ's current recommendations

	Buy	Hold	Sell	Suspended	Under revision	Not rated
Numbers	41	30	6	5	0	5
Percentage	47%	34%	7%	6%	0%	6%

Distribution of DM BOŚ's current recommendations for the companies which DM BOŚ has supplied with material investment services within the last 12 months

	Buy	Hold	Sell	Suspended	Under revision	Not rated
Numbers	4	5	0	1	0	2
Percentage	33%	42%	0%	8%	0%	17%

Distribution of DM BOŚ's current market relative recommended weightings

	Overweight	Neutral	Underweight	Suspended	Under revision	Not rated
Numbers	26	41	10	5	0	5
Percentage	30%	47%	11%	6%	0%	6%

Distribution of DM BOŚ's current market relative recommended weightings for the companies which DM BOŚ has supplied with material investment services within the last 12 months

	Overweight	Neutral	Underweight	Suspended	Under revision	Not rated
Numbers	4	4	1	1	0	2
Percentage	33%	33%	8%	8%	0%	17%

Recommendation tracker

Analyst	Fundamental Recommendation	Relative Recommendation	Report date	Reiteration date	Distribution date	Price at issue/ reiteration*	EFV (12 months)	
SEKO								
Mikołaj Stępień	Not rated	Not rated	04.09.2023	-	04.09.2023	11.20	16.30	–
Mikołaj Stępień	-	-	-	12.10.2023	12.10.2023	9.25	16.30	→
Mikołaj Stępień	-	-	-	25.10.2023	25.10.2023	9.55	16.30	→
Mikołaj Stępień	-	-	-	06.11.2023	06.11.2023	10.00	16.30	→
Mikołaj Stępień	-	-	-	07.12.2023	07.12.2023	10.40	16.30	→
Mikołaj Stępień	-	-	-	10.12.2023	11.12.2023	10.80	16.30	→
Mikołaj Stępień	-	-	-	09.01.2024	09.01.2024	11.60	16.30	→
Mikołaj Stępień	-	-	-	01.02.2024	01.02.2024	13.30	16.30	→
Mikołaj Stępień	-	-	-	19.02.2024	20.02.2024	12.10	16.30	→
Mikołaj Stępień	-	-	-	29.02.2024	29.02.2024	12.70	16.30	→
Mikołaj Stępień	-	-	-	24.03.2024	25.03.2024	13.00	16.30	→
Mikołaj Stępień	-	-	-	26.03.2024	27.03.2024	12.90	18.90	↑
Mikołaj Stępień	-	-	-	04.04.2024	04.04.2024	14.40	18.90	→
Mikołaj Stępień	-	-	-	06.05.2024	06.05.2024	13.20	18.90	→
Mikołaj Stępień	-	-	-	29.05.2024	29.05.2024	12.90	18.90	→
Mikołaj Stępień	-	-	-	12.07.2024	12.07.2024	11.00	18.90	→
Mikołaj Stępień	-	-	-	05.08.2024	05.08.2024	9.60	17.80	↓
Mikołaj Stępień	-	-	-	05.08.2024	05.08.2024	10.00	17.80	→
Mikołaj Stępień	-	-	-	04.09.2024	04.09.2024	12.20	17.80	→
Mikołaj Stępień	-	-	-	24.09.2024	24.09.2024	10.85	17.80	→
Mikołaj Stępień	-	-	-	11.10.2024	11.10.2024	11.10	17.80	→
Mikołaj Stępień	-	-	-	31.10.2024	31.10.2024	9.80	17.80	→
Mikołaj Stępień	-	-	-	05.11.2024	05.11.2024	9.98	17.80	→
Mikołaj Stępień	-	-	-	01.12.2024	02.12.2024	9.80	15.50	↓
Mikołaj Stępień	-	-	-	07.01.2025	07.01.2025	9.80	15.50	→
Mikołaj Stępień	-	-	-	30.01.2025	30.01.2025	9.80	15.50	→
Mikołaj Stępień	-	-	-	13.02.2025	13.02.2025	9.20	15.50	→
Mikołaj Stępień	-	-	-	19.02.2025	19.02.2025	9.18	15.50	→
Mikołaj Stępień	-	-	-	14.03.2025	14.03.2025	9.16	15.50	→
Mikołaj Stępień	-	-	-	30.03.2025	31.03.2025	9.18	15.50	→

** prices at issue/reiteration are the closing prices at the report or reiteration date*

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