Research

CEE | Equity Research

Creotech Instruments

Entering a new, higher space league

Buy

Previous: Restricted

Target price: 320 PLN

Upside: +50%

We are resuming our recommendation for the Company with a BUY recommendation and a 12M target price of PLN 320 (upside of +50%). We believe that the signing of the Mikroglob contract and its execution promotes Creotech Instruments to a new, higher space league, significantly scaling the Company's operations (2025-27 revenues 5x higher than 2022-24). The contract's net value of PLN 452m and its timing will, in our opinion, allow the Company not only to reach the net break-even point in 2025, but also to generate PLN 21/25/51m net profit in 2025/26/27, respectively (adj. for ESOP).

Moreover, the tender for the second landmark project, the Camila project, is most likely due to be awarded this month, and the Creotech-led consortium has, in our view, the best chance of winning the contract. We treat this contract as an additional embedded option and do not include it in our baseline scenario. We estimate that winning the Camila contract would add ~PLN 33m (+16%) in EBITDA and ~PLN 35m (+30%) in net profit over the 2025-28 period (vs. our base case), resulting in adj. EV/EBITDA (incl. Camila) of 15.2/9.8/5.5x in 2025/26/27, respectively (adj. for ESOP).

Mikroglob contract. The contract involves the acquisition of four small observation satellites by the Ministry of National Defence (MON) and is set to be executed by 31 March 2027. In 2023, Creotech and Airbus Defence and Space (in a consortium) completed 0-A phase of the Mikroglob programme for EUR 1.5m, while on 20.12.2024, Creotech Instruments signed a contract to produce and deliver the system, covering phases B, C, D, and E1, with a gross value of PLN 556.5m (~PLN 452m net). The realisation of the Mikroglob project will, in our opinion, allow Creotech Instruments to greatly scale its operations, gain wider visibility for its products and therefore move the Company into a new space league. We estimate revenues of PLN 115m from the Mikroglob contract in 2025 (~25% of the contract value, phase B & C). In 2026, we forecast revenues at PLN ~135m (~30%), and in 2027, with the contract's execution, PLN ~202m (~45%). We estimate that Creotech will realise around 35-40% gross margin on the contract depending on the particular phase of the project.

Project Camila – imbedded option. We view the Camila contract as an additional opportunity for the Company, not factored into our base case forecasts and valuation. The project's resolution is expected in April 2025. Revenues from the project could amount to PLN 230m between 2025-2028 (ESA budget EUR 55m). We believe the contract extension for a fourth satellite could raise the budget to ~EUR 75m (~PLN 320m). Creotech's advantage in securing the contract lies in the fully Polish consortium and its non-defence sector orientation. Securing the project could lead in our view to an upfront ESA advance of ~32% of the contract's value (~PLN 76m) granted in 2025 in one instalment (potentially 2Q25). Should the consortium led by Creotech be selected to execute the Camila project, we expect revenues of PLN 35m/58m/58m/81m in 2025/26/27/28, respectively, with gross margins of 16-19% (50% of the contract executed with a margin) – *see page 10*. Between 2025-28, this could result in an additional ~PLN 33m EBITDA (+16% vs. the base scenario) and ~PLN 35m net profit (+30% vs. the base scenario), partly due to significantly reduced debt financing (advances in 2025) – *see valuation on page 14*.

Europe must scale up its investment in space. As space becomes an increasingly critical domain for national security and strategic autonomy, state-backed defense spending across Europe will play a central role. In our view, the need to reduce the EU's reliance on U.S. space technologies — and to close the transatlantic gap in industrial capabilities (*see page 18*) — will drive increased funding for space programs across EU member states and through the European Space Agency (ESA) budget. We believe Creotech, as the leading company in Poland's space sector, is well positioned to benefit from this structural shift. The Company is likely to secure a long-term share of 20–25% in ESA-funded projects implemented in Poland, in line with ESA's industrial return policy (where up to 90% of optional contributions are awarded back as national contracts — *see page 11*).

High upside potential in the Quantum segment. As one of the few domestic players with proven competencies in quantum technologies, including Quantum Key Distribution (QKD), Creotech should have a high chance to benefit from Poland's Digitalisation Strategy 2035 (LINK). While quantum-related revenues are not included in our base-case forecast, we see material upside potential post-2026, particularly from government-backed projects for quantum encryption and integration of QKD with the Company's satellite systems, *see page 11.*

Valuation. Our baseline scenario assumes only the implementation of the Mikroglob contract, without securing Camila's contract. We base our valuation 100% on the income approach, DCF, which returns a **12M TP of PLN 320 (upside +50%).** Comparative valuation returns a 12M TP of PLN 230 (ex. Camila). Key specific risks are presented on *page 17*.

PLNm	2022	2023	2024E	2025E	2026E	2027E
Revenues	34.1	44.0	34.2	160.2	196.4	359.6
EBITDA	-4.5	-8.6	-17.2	35.2	45.1	78.3
adj. EBITDA*	-4.5	-8.6	-17.2	38.4	49.3	79.3
EBIT	-8.7	-16.9	-25.2	25.2	33.1	65.5
Net profit	-7.0	-14.3	-22.0	18.9	21.6	50.2
EPS (PLN)	-3.5	-6.0	-9.2	6.6	7.6	16.9
P/E (x)	-	-	-	32.3	28.2	12.6
EV/EBITDA (x)	-	-	-	19.1	12.5	6.1
adj. EV/EBITDA* (x)	-	-	-	17.5	11.4	6.1
P/BV (x)	8.8	5.6	7.3	3.6	3.2	2.5
DY (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

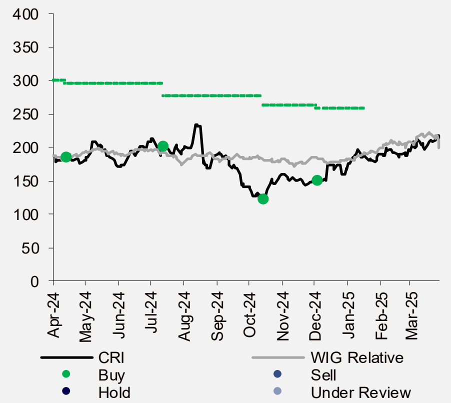
Source: Company, Trigon (estimates), includes 475k new shares in 2025 and 107k new shares in 2027;
**Adj. for non-cash ESOP costs*

FACT SHEET

Ticker	**CRI**
Sector	**Space technologies**
Price (PLN)	**222**
52W range (PLN)	**115.5 / 248**
Shares outstanding (m)	**2.85**
Market Cap (PLNm)	**634**
Free-float	**49%**
3M Avg. Vol. (PLNm)	**0.5**

Price performance	1M	3M	1Y
	6.3%	**43.4%**	**-2.6%**

RELATIVE SHARE PRICE VS WIG INDEX



RECOMMENDATIONS	DATE	TP
Restricted	24.01.2025	-
Buy	10.12.2024	260
Buy	21.10.2024	265
Buy	19.07.2024	280
Buy	19.04.2024	298
Buy	11.12.2023	302
Buy	06.12.2023	302

SHAREHOLDERS	Share %
Agencja Rozwoju Przemysłu SA	11.4%
Grzegorz Brona	8.9%
Paweł Kasprowicz	8.9%
Katarzyna Kubrak	8.9%
PTE Allianz Polska	8.2%
Grzegorz Kasprowicz	8.1%
TFI PZU	8.0%

INVESTOR CALENDAR

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Glossary of professional terms:

capitalisation – market price multiplied by the number of a company's shares
free float (%) – percentage of a company's shares held by shareholders with less than 5% of total voting rights attached to the shares, reduced by treasury shares held by the company
min/max 52 wks – lowest/highest share price over the previous 52 weeks
average turnover – average volume of share trading over the previous month

EBIT – operating profit
EBITDA – operating profit before depreciation and amortisation
adjusted profit – net profit adjusted for one-off items
CF – cash flow
CAPEX – sum of investment expenditures on fixed assets
OCF – cash generated through a company's operating activities
FCF – cash generated by a company after accounting for cash outflows to support its operations and maintain capital assets
ROA – rate of return on assets
ROE – rate of return on equity
ROIC – rate of return on invested capital
NWC – net working capital
cash conversion cycle – length of time it takes for a company to convert its cash investments in production inputs into cash revenue from sale of its products or services
gross profit margin – ratio of gross profit to net revenue
EBITDA margin – ratio of the sum of operating profit and depreciation/amortisation to net revenue
EBIT margin – ratio of operating profit to net revenue
net margin – ratio of net profit to net revenue
EPS – earnings per share
DPS – dividend per share
P/E – ratio of market price to earnings per share
P/BV – ratio of market price to book value per share
EV/EBITDA – ratio of a company's EV to EBITDA
EV – sum of a company's current capitalisation and net debt
DY – dividend yield, ratio of dividends paid to share price
RFR – risk free rate
WACC – weighted average cost of capital

Recommendations of the Brokerage House

Issuer – CREOTECH INSTRUMENTS SPÓŁKA AKCYJNA
BUY – we expect the total return on an investment to reach at least 15%
HOLD – we expect the price of an investment to be largely stable, with potential upside of up to 15%
SELL – we expect negative total return on an investment of more than -0%

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Document prepared by: Piotr Chodyra

Valuation methods used

The Discounted Cash Flow (DCF) method values a company by estimating its future cash flows and discounting them back to their present value.
- Advantages: future-oriented, flexible when it comes to assumptions, based on the intrinsic value of a company, widely accepted.
- Disadvantages: sensitivity to assumptions, complexity, subjectivity, doesn't consider market sentiment or short-term fluctuations.
The comparable valuation method values a company by comparing it to similar publicly traded companies.
- Advantages: simplicity, transparency, benchmarking, reflects current market valuations and investor sentiment.
- Disadvantages: lack of specificity, limited comparables, sensitive to market fluctuations, ignoring fundamental differences.
SOTP – sum-of-the-parts method, which consists in valuing a company by valuing its individual business lines separately and then summing them up.
Advantages: different valuation methods can be applied to diverse business lines; the approach is useful for assessing the value of a company e.g. in the case of planned acquisition or restructuring.
Disadvantages: the peer group for individual business lines is usually limited, the method does not adequately account for synergies between business segments.
Risk-adjusted net present value method (rNPV)
Advantages: accounting for probabilities assigned to future cash flows, providing a more realistic assessment of the present value of future cash flows and reflecting business-specific factors, especially in the case of innovative companies.
Disadvantages: subjectivity involved in the adoption of a discount rate, significant reliance on a number of assumptions, high level of complexity in the calculations and exclusion of qualitative factors from the valuation.
Discounted residual income method (DRI)
Advantages: valuation based on the excess of income over risk-adjusted opportunity cost to owners of capital, the method can be applied to companies that do not pay dividends or generate positive FCF.
Disadvantages: significant reliance on subjective judgements and assumptions, as well as sensitivity of the valuation to any changes in those variables.
Discounted dividend model (DDM)
Advantages: accounting for real cash flows to equity owners, the model works best for companies with a long history of dividend distribution.
Disadvantages: the method can be applied to dividend-paying companies only, it is not suitable for companies with a short history of dividend distribution.
Net asset value method (NAV)
Advantages: the approach is particularly relevant to holding companies with significant property, plant and equipment assets, the calculation of NAV is relatively straightforward.
Disadvantages: the method neglects future revenue or earnings potential and may not properly reflect the value of intangible assets.
Target multiple method
Advantages: the method can be applied to any company.
Disadvantages: it involves a high degree of subjectivity.
Replacement value method – it assesses the value of a company based on the costs of replacing its assets.
Advantages: the method is particularly relevant to companies with significant property, plant and equipment assets.
Disadvantages: it may be hard to capture the value of a company's intangible assets, reputation and market potential.
Liquidation value method – the sum of prices that the business would receive upon selling its individual assets on the open market.
Advantages: the method can capture the lowest threshold of a company's value.
Disadvantages: it may be hard to capture the value of a company's intangibles.

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