

15/2025/GPW (30) April 28, 2025

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

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

Analyst: Michał Zamel

Sector: Construction materials

Bloomberg code: BOW PW

Price: PLN 5.02

12M EFV: PLN 5.5 (→)

Market Cap: US\$ 21.5 m

Av. daily turnover: US\$ 0.04 m

12M range: PLN 3.62-7.10

Free float: 23.8%

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4Q24 financial results review

4Q24 revenues reached PLN 440.4 million (down 4%/ 6% yoy/ qoq) and were slightly below our expectations (at PLN 466.5 million). Volumes in the discussed quarter reached 140 197 t which implies an over 12% yoy growth. The sales mix was comparable to previous quarters with sheets holding the biggest share (over 40%) followed by pipes and profiles at c. 20%. The most important clients are from the steel construction industry and construction industry as well.

EBITDA and EBIT at PLN 6.7 million and PLN 4.3 million, respectively, were materially above our expectations (EBITDA at PLN 2.8 million and EBIT at PLN 0.5 million). The result on the financial activity reached PLN -3.4 million in 4Q24 and was comparable yoy. NI in the discussed period amounted to PLN 3.2 million vs our forecast at PLN -3.3 million. Operating cash flows reached PLN 7.4 million vs PLN -10.3 million in 4Q23.

Final results were in line with preliminary figures.

Valuation

Our 12M EFV stays intact.

Guide to adjusted profits

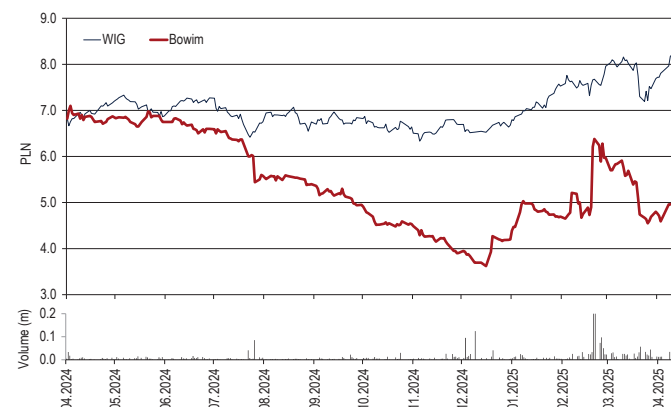
No factors necessitating adjustments.

Key data

IFRS consolidated		2024	2025E	2026E	2027E
Sales	PLN m	1,815.5	1,887.0	1,943.5	2,001.8
EBITDA	PLN m	14.0	39.4	41.1	41.8
EBIT	PLN m	4.7	30.3	32.1	32.8
Net income	PLN m	-10.5	11.6	16.9	17.6
EPS	PLN	-0.54	0.59	0.87	0.90
Adj EPS yoy chg	%	N/M	N/M	46	4
Debt (off-balance sheet factoring)	PLN m	104.2	104.2	104.2	104.2
Net debt (balance sheet)	PLN m	-8.0	27.2	16.5	6.5
Net debt (incl. factoring)	PLN m	96.2	131.4	120.8	110.8
P/E	x	neg.	8.5	5.8	5.6
P/CE	x	neg.	4.8	3.8	3.7
EV/EBITDA	x	13.9	5.8	5.3	5.0
EV/EBIT	x	41.3	7.6	6.8	6.4
DPS	PLN	0.10	0.00	0.09	0.13
Gross dividend yield	%	2.0	0.0	1.8	2.6
Number of shares (eop)	m	19.5	19.5	19.5	19.5

Source: Company, DM BOŚ SA estimates

Stock performance



Source: Bloomberg

Recent events

1. Release of preliminary unconsolidated 4Q24 financial results: March 28
2. Release of preliminary consolidated 4Q24 financial results: April 4
3. 4Q24 financial results: April 24

Upcoming events

1. Release of preliminary unconsolidated 1Q25 financial results: April-May
2. Release of preliminary consolidated 1Q25 financial results: May
3. 1Q25 financial results release: May 29

Catalysts

1. Economic recovery in Poland
2. Inflow of EU funds within the framework of the National Recovery and Resilience Plan
3. Rebound on the infrastructural and industrial construction market
4. Investments in the power generation (among others, wind farms)
5. Rebound on the housing market
6. EUR depreciation vs PLN
7. Further expansion of the distribution chain

Risk factors

1. Stagnant demand for steel
2. Economic slowdown in Poland
3. Strengthening EUR vs PLN
4. Pressure on a wage growth

BASIC DEFINITIONS

A/R turnover (in days) = $365/(\text{sales}/\text{average A/R})$

Inventory turnover (in days) = $365/(\text{COGS}/\text{average inventory})$

A/P turnover (in days) = $365/(\text{COGS}/\text{average A/P})$

Current ratio = $(\text{current assets} - \text{ST deferred assets})/\text{current liabilities}$

Quick ratio = $(\text{current assets} - \text{ST deferred assets} - \text{inventory})/\text{current liabilities}$

Interest coverage = $(\text{pre-tax profit before extraordinary items} + \text{interest payable})/\text{interest payable}$

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 = $(\text{net income} + \text{interest payable})/\text{average assets}$

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.

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	39	31	6	5	0	5
Percentage	45%	36%	7%	6%	0%	6%

Distribution of DM BOŚ's current market relative recommended weightings

	Overweight	Neutral	Underweight	Suspended	Under revision	Not rated
Numbers	27	38	11	5	0	5
Percentage	31%	44%	13%	6%	0%	6%

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 = $(\text{interest income}/\text{average interest earning assets})/(\text{interest cost}/\text{average interest bearing liabilities})$

Cost/Income = $(\text{general costs} + \text{depreciation})/(\text{profit on banking activity} + \text{other net operating income})$

ROE = net profit/average equity

ROA = net income/average assets

Non performing loans (NPL) = loans in 'basket 3' category

NPL coverage 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.

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	4	0	1	0	2
Percentage	36%	36%	0%	9%	0%	18%

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	3	1	1	0	2
Percentage	36%	27%	9%	9%	0%	18%

Recommendation tracker

Analyst	Fundamental Recommendation	Relative Recommendation	Report date	Reiteration date	Distribution date	Price at issue/ reiteration*	EFV (12 months)
Bowim							
Michał Zamel	Not rated	Not rated	10.09.2023	-	11.09.2023	7.05	6.90 —
Michał Zamel	-	-	-	12.10.2023	12.10.2023	7.15	6.90 →
Michał Zamel	-	-	-	23.10.2023	24.10.2023	7.76	6.90 →
Michał Zamel	-	-	-	06.11.2023	06.11.2023	7.30	6.90 →
Michał Zamel	-	-	-	07.12.2023	07.12.2023	7.20	7.20 ↑
Michał Zamel	-	-	-	10.12.2023	11.12.2023	7.10	7.20 →
Michał Zamel	-	-	-	09.01.2024	09.01.2024	7.42	7.20 →
Michał Zamel	-	-	-	25.01.2024	25.01.2024	7.18	7.20 →
Michał Zamel	-	-	-	01.02.2024	01.02.2024	6.98	7.20 →
Michał Zamel	-	-	-	29.02.2024	29.02.2024	6.91	7.20 →
Michał Zamel	-	-	-	04.04.2024	04.04.2024	6.45	7.20 →
Michał Zamel	-	-	-	06.05.2024	06.05.2024	6.77	7.20 →
Michał Zamel	-	-	-	07.05.2024	07.05.2024	6.71	7.20 →
Michał Zamel	-	-	-	29.05.2024	29.05.2024	6.65	7.20 →
Michał Zamel	-	-	-	12.07.2024	12.07.2024	6.60	7.20 →
Michał Zamel	-	-	-	07.08.2024	08.08.2024	6.03	7.20 →
Michał Zamel	-	-	-	12.08.2024	12.08.2024	5.50	7.20 →
Michał Zamel	-	-	-	24.09.2024	24.09.2024	5.24	7.20 →
Michał Zamel	-	-	-	11.10.2024	11.10.2024	4.94	7.20 →
Michał Zamel	-	-	-	17.10.2024	17.10.2024	4.79	5.10 ↓
Michał Zamel	-	-	-	04.11.2024	04.11.2024	4.48	5.10 →
Michał Zamel	-	-	-	21.11.2024	22.11.2024	4.30	5.10 →
Michał Zamel	-	-	-	01.12.2024	02.12.2024	4.15	5.50 ↑
Michał Zamel	-	-	-	07.01.2025	07.01.2025	4.27	5.50 →
Michał Zamel	-	-	-	30.01.2025	30.01.2025	4.83	5.50 →
Michał Zamel	-	-	-	19.02.2025	19.02.2025	4.74	5.50 →
Michał Zamel	-	-	-	20.02.2025	20.02.2025	4.78	5.50 →
Michał Zamel	-	-	-	14.03.2025	14.03.2025	5.97	5.50 →
Michał Zamel	-	-	-	10.04.2025	10.04.2025	4.60	5.50 →
Michał Zamel	-	-	-	28.04.2025	29.04.2025	5.02	5.50 →

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

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The production of the report was completed on April 29, 2025 at 7.50 a.m.
The report was distributed on April 29, 2025 at 8.00 a.m.

The report is an investment research within the meaning of Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.

This report constitutes a recommendation within the meaning of Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest. This report is for information purposes only.

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