

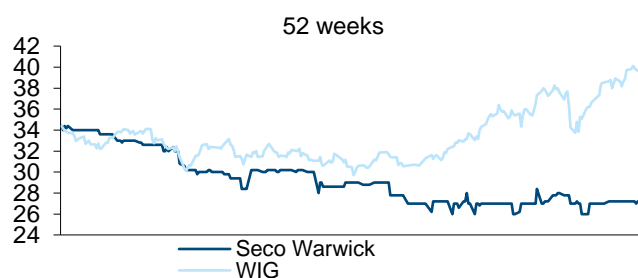
COMPANY REPORT

Seco Warwick

Hold

PLN mn	2024	2025e	2026e	2027e
Net sales	712.8	745.6	683.4	715.0
EBITDA	50.2	50.6	46.3	47.5
EBIT	31.8	31.4	25.1	25.9
Net result after min.	24.3	20.3	13.1	13.9
EPS (PLN)	2.43	2.03	1.31	1.39
CEPS (PLN)	4.28	3.94	3.44	3.55
BVPS (PLN)	26.12	27.15	27.46	27.85
Div./share (PLN)	1.00	1.00	1.00	1.00
EV/EBITDA (x)	5.2	6.8	7.5	7.3
P/E (x)	11.1	13.4	20.7	19.5
P/CE (x)	6.3	6.9	7.9	7.7
Dividend Yield	3.7%	3.7%	3.7%	3.7%

Share price (PLN) close as of 20/05/2025	27.2
Number of shares (mn)	10.0
Market capitalization (PLN mn / EUR mn)	272 / 64
Enterprise value (PLN mn / EUR mn)	343 / 81



Performance	12M	6M	3M	1M
in PLN	-20.9%	-6.2%	0.7%	0.7%

Reuters	SWG.WA	Free float	34.5%
Bloomberg	SWG.PW	Shareholders	SW Holding (32.9%)
Div. Ex-date			SecoWarwick (13.84%)
Target price	27.9	Homepage:	https://www.secowarwick.com

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Uncertain environment, negative FCF in 2025

We are lowering our target price to PLN 27.9 (previously PLN 29.3) and maintaining our Hold recommendation for Seco Warwick.

In our opinion, the second highest level of the order book recorded at the end of 2024 will translate into an improvement in revenues and EBITDA in 2025. However, we are more cautious about the pace of acquiring new orders in 2025, due to the uncertainty that trade wars and the slowdown in the automotive industry are causing among the company's customers. As a result, we are also lowering our expectations for sales and results in 2026 and 2027.

In our opinion, Seco Warwick may present an improvement in results in the y/y perspective in the following quarters. However, we assume that the sale of equipment for the Green Iron project may be postponed to 2H25, due to the global decline in interest in the issue of decarbonization.

We are lowering the expected dividend stream for 2026-27. We assume annual DPS at the level of PLN 1/share. On June 9, shareholders will decide to buy back ~7% of their own shares (the buyback budget implies a maximum possible price of PLN 31).

We assume that, in 2025, FCF will amount to PLN -60mn, which results from the consumption of high customer prepayments made at the end of 2024.

Risk factors

1. **High sensitivity of results to business cycles.** Historically, Seco Warwick's sales and results have been highly dependent on business cycles (capital goods market). A pronounced downturn could lead to a drastic decline in sales revenues and, consequently, financial results (see 2009).
2. **Strengthening of PLN against USD.** The strengthening of the zloty against foreign currencies is one of the biggest challenges for Seco Warwick from the point of view of competitiveness and the profitability of contracts executed. The plants in Poland are most exposed to currency risk (Europe ~30% of sales; 30% of sales in EUR, 20% in USD). The company hedges 60% of the net contract exposure at the time of contract conclusion. Companies in the US contract in USD and those in China mainly in CNY.
3. **High exposure to China.** Currently, more than 30% of the group's sales are realized in Asia (primarily China). In contrast, China accounted for 55% of the group's realized EBIT in 2022. A possible drastic economic slowdown in China, a US-China trade war, and a war over Taiwan could negatively affect the economic situation in China and, indirectly, the performance of the company there.
4. **Increase in personnel costs and access to highly qualified staff.** After material and energy costs, personnel costs are the second-largest category, accounting for 22% of total costs in 2022. Seco Warwick's workforce is primarily skilled engineers (over 60%), who are often attracted by competing companies. The group must keep salaries at a competitive level to avoid the migration of talent out of the group. Seco Warwick is opening offices in locations where access to staff is better, e.g. Zielona Góra and Tarnowskie Góry, near Poznań.
5. **Exposure to defense industry.** Seco Warwick also has exposure to the defense industry (aircraft, helicopters, military drones) as a result of significant sales to the aerospace industry (approx. 1/3 of sales). In our view, exposure to the defense industry does not exceed 10% of total revenues. Some investors may statutorily exclude investments in companies with exposure to the defense industry, which may narrow the pool of potential investors (on the other hand, it is one of the factors for revenue growth).
6. **Risk of trade barriers.** The technological sophistication of Seco Warwick's products may result in part of the product range being subject to sanctions in the future, as was the case in Russia. The company has an outstanding deposit of EUR 252,000 relating to a contract that cannot be completed due to the sanctions in place (to date, a significant - more than 80% - part of the contract has been completed, all existing receivables have been paid by the counterparty). Currently, trade barriers between China and India mean that Seco Warwick in China cannot supply products to India. The group plans to return to India in the future by building a branch there (there is already a sales & service division there).

Valuation

We base our valuation of the Seco Warwick group on a 50% discounted cash flow method and a 50% comparative valuation.

(PLN)	Weight	Price
Relative valuation (PLN)	50%	27.7
DCF valuation (PLN)	50%	28.2
12M target price per share (PLN)		27.9

Source: Erste Group Research

Relative valuation

In the comparative valuation, we seek to benchmark Seco Warwick's performance against industrial capital goods producers. We include a 20% discount in the valuation due to the fact that the comparators are clearly larger in terms of business scale and many have greater sales diversification.

	P/E			EV/EBITDA			Dyiel		
	2025e	2026e	2027e	2025e	2026e	2027e	2025e	2026e	2027e
AMG CRITICAL MAT	21.1	14.5	11.2	6.2	6.0	5.5	2.1%	2.2%	2.7%
PVA TEPLA AG	18.9	15.1	11.7	9.8	8.0	6.5	-	-	-
ANDRITZ AG	11.9	10.4	9.6	7.1	6.4	5.9	4.2%	4.7%	5.0%
MITSUBISHI HEAVY	27.2	24.9	21.3	15.3	14.2	12.6	1.1%	1.1%	1.4%
AIDA ENGINEERING	10.9	-	-	3.2	3.2	-	0.0	-	-
DANIELI & CO	9.2	-	-	0.8	0.7	-	1.5%	-	-
GEA GROUP AG	20.5	18.3	16.7	11.2	10.5	9.9	2.2%	2.5%	2.7%
JUDGES SCIENTIFI	22.3	20.1	18.9	14.8	13.7	12.9	1.4%	1.5%	1.6%
EINHELL (HANS)-P	-	-	-	-	-	-	-	-	-
PALFINGER AG	11.0	8.6	7.6	6.7	5.9	5.5	2.9%	3.5%	4.2%
INTERROLL HLDG-R	23.7	21.4	19.8	13.4	12.2	11.4	1.6%	1.8%	1.9%
MIN	9.2	8.6	7.6	0.8	0.7	5.5	1.1%	1.1%	1.4%
MAX	27.2	24.9	21.3	15.3	14.2	12.9	4.2%	4.7%	5.0%
Median	19.7	16.7	14.2	8.4	7.2	8.2	2.1%	2.2%	2.7%
Seco Warwick	13.4	20.7	19.5	6.7	7.4	7.2	3.7%	3.7%	3.7%
premium (discount)	-32%	24%	38%	-20%	3%	-12%	74%	65%	37%

Implied valuation

Median	19.7	16.7	14.2	8.4	7.2	8.2
Discount	20%	20%	20%	20%	20%	20%
Weight of the indicator	50%			50%		
Weight of the year	33%	33%	33%	33%	33%	33%

Target value per share (PLN) 24.8

12m target value per share (PLN) 27.7

Source: consensus data provider, Erste Group Research

DCF valuation

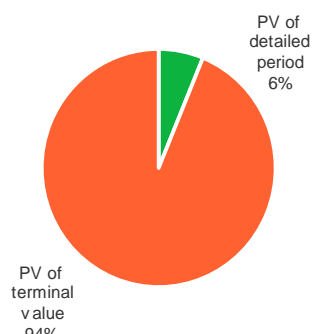
- 5-year forecast period.
- Risk-free rate of 5.5% (10-year government bond yield).
- Beta 1.2. High volatility of past performance (capital goods market exposed to business cycles).

WACC calculation

	2025e	2026e	2027e	2028e	2029e	TV
Risk free rate	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Equity risk premium	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Beta	1.2	1.2	1.2	1.2	1.2	1.2
Cost of equity	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%
Cost of debt	5.6%	5.5%	5.5%	5.5%	5.5%	5.5%
Effective tax rate	20.0%	22.0%	22.0%	22.0%	22.0%	22.0%
Equity weigh	80%	79%	79%	80%	80%	81%
WACC	11.2%	11.5%	10.3%	10.2%	10.2%	10.3%

DCF valuation

(mn PLN)	2025e	2026e	2027e	2028e	2029e	TV
Sales grow th	4.6%	-8.3%	4.6%	4.4%	2.8%	1.6%
EBIT	31	25	26	31	27	26
EBIT margin	4.2%	3.7%	3.6%	4.1%	3.5%	3.3%
Tax rate	20.0%	22.0%	22.0%	22.0%	22.0%	22.0%
Taxes on EBIT	6	6	6	7	6	6
NOPAT	25	20	20	24	21	20
Depreciation	19	21	22	21	21	
CAPEX	-30	-25	-20	-20	-20	
Working Capital	-75	4	1	1	3	
Other	0	0	0	0	0	
FCF to the firm	-61	20	23	27	26	26
Discounted cash flow	36	65	-55	16	17	18
Terminal value grow th	2.0%					
Terminal value	314					
Discounted FCF	192					
Enterprise value	205					
Minorities	3					
Net debt	-13					
Other adjustments	38					
Equity value	252					
Number of shares (mn)	10					
Cost of equity	11.5%					
12M target value per share (P)	28.2					
Up/Dow nside	3%					


WACC
Terminal value growth

	0.0%	1.0%	2.0%	3.0%	5.0%
+1,0 p.p.	23.0	23.8	24.8	25.8	26.9
+0,5 p.p.	24.3	25.3	26.3	27.5	28.8
+0,0 p.p.	25.8	26.8	28.2	29.4	30.9
-0,5 p.p.	27.4	28.6	30.0	31.6	33.4
-1,0 p.p.	29.2	30.7	32.3	34.1	36.3

Seco Warwick forecast update

We are raising our sales and financial results forecast for 2025 due to the high pace of orders acquired at the end of 2024 (the second highest year in history in terms of order portfolio value).

However, we assume that the value of new orders acquired in 2025 will deteriorate due to the ongoing trade wars and the risk of a global economic slowdown. In this environment, Seco Warwick's customers may withhold decisions to start new investments, which may translate into lower contracting. Another threat is the significant slowdown in the European automotive industry and the high competition from Chinese manufacturers (especially in the field of electric cars). We assume that Seco Warwick will not be able to rebuild its order portfolio until 2026. We are lowering our revenue and financial results expectations for 2026 and 2027.

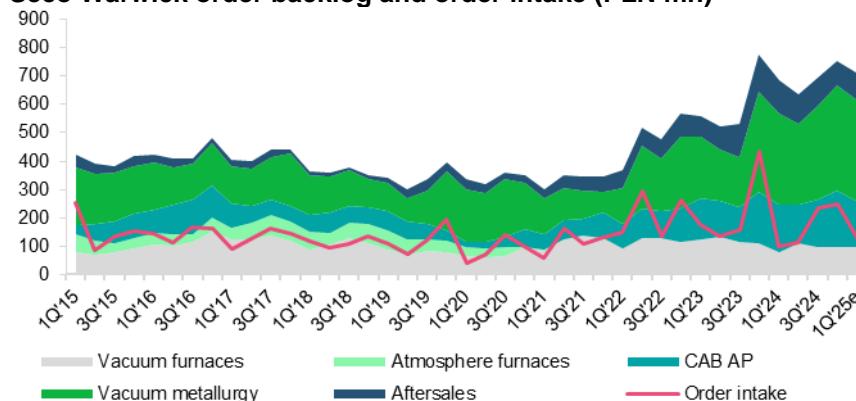
We are lowering our expectations regarding expected dividends in 2026 and 2027 due to expected negative cash flows in 2024 (large advances from customers) and planned share buybacks.

	2025e	2026e	2027e	2028e	2029e
Revenues	+13.8%	-1.4%	-4.4%	-2.5%	-1.0%
EBITDA	+5.8%	-9.4%	-26.1%	-16.3%	-18.8%
Net profit	+0.8%	-42.5%	-58.7%	-45.0%	-50.7%
DPS	0.0%	-17.2%	-37.3%	-58.7%	-45.0%
Vacuum furnaces	+23.9%	-28.9%	-19.0%	-12.8%	-8.4%
CAB AP	+73.9%	-17.5%	+15.4%	+14.2%	+9.7%
Vacuum metallurgy	+15.3%	+8.8%	-8.0%	-15.1%	-12.0%
Aftersales	-29.4%	+20.9%	+5.7%	+22.2%	+22.1%
Backlog	+2.0%	+4.5%	+14.4%	+21.8%	+26.7%
New orders	-11.5%	+0.8%	+3.8%	+3.8%	+3.8%

Company environment

At the end of 2024, Seco Warwick's order book grew to its second highest level in history (see chart below). It is worth noting the rebound in sales of vacuum metallurgy furnaces and a slight revival in contracting in the CAB AP line.

Seco Warwick order backlog and order intake (PLN mn)



Source: Seco Warwick

In 2025, the company should benefit from a large number of contracted orders, especially in branches in the US, which after expansion have

increased production capacity. Unfortunately, the ongoing trade wars are hitting the economy hard not only in Europe, but also in China and the US. Declines in purchases of new cars and strong competition from Chinese manufacturers are hitting the sentiment for investments in Europe, but also in cheaper locations (such as Mexico). It is worth noting that many car companies decided to lower their full-year guidance for results for 1Q25. In our opinion, in such an environment, SecoWarwick's customers will refrain from making investment decisions, which will translate into a lower y/y pace of acquiring new orders and a decrease in the order portfolio. A major threat is the intensification of competition in the field of electric cars from China. European competitors have indicated for many years that this is not competition for them, and now some of them admit that Chinese battery systems have built an advantage over Europe.

Low dividend and announcement of share buybacks

At the General Meeting of Shareholders convened for June 9, SecoWarwick shareholders will decide to pay a dividend (PLN 1/share). The date of determining the right to the dividend will be June 16, 2025, while the dividend payment date will be June 23, 2025.

At the same time, the General Meeting will decide to buy back no more than 734,000 own shares for a maximum of PLN 23mn (maximum implied price slightly over PLN 31; ~7% of shares in circulation).

Due to the announced size of the buyback, we are lowering our expectations for the size of the dividend stream in the following years.

Assumptions

Income statement

(mn PLN)	2022	2023	2024	2025e	2026e	2027e
Net sales	623	684	713	746	683	715
Vacuum furnaces	191	184	168	145	108	155
Atmosphere furnaces	0	0	0	0	0	0
CAB AP	154	138	137	178	100	121
Vacuum metallurgy	152	208	237	298	288	248
Aftersales	124	154	171	125	188	191
Other	2	0	0	0	0	0
Costs	485	531	563	595	542	569
Gross profit from sales	137	153	150	150	141	146
Vacuum furnaces	44	42	43	33	24	34
Atmosphere furnaces	0	0	0	0	0	0
CAB AP	38	38	27	39	20	23
Vacuum metallurgy	16	23	25	36	33	27
Aftersales	40	51	57	42	64	61
Other	0	-1	-2	0	0	0
EBIT	42	41	32	31	25	26
Net financials	-3	-10	-4	-5	-7	-7
Gross profit	33	30	28	26	18	19
CIT	1	6	3	6	6	6
Minorities	1	1	0	1	0	0
Net Income after minorities	31	35	24	20	13	14
adj. EBITDA	57	57	50	51	46	47
adj. Net profit	31	35	24	20	13	14

Source: SecoWarwick, forecasts by Erste Group Research

Income statement

(mn PLN)	2022	2023	2024	2025e	2026e	2027e
Backlog	566	776	756	585	612	687
New orders	842	902	693	575	710	790
Book to bill	1.1	0.9	0.9	1.3	1.1	1.0

Source: SecoWarwick, forecasts by Erste Group Research

Cash flow

(mn PLN)	2022	2023	2024	2025e	2026e	2027e
Cash flow from operating activities	27	59	101	-35	38	37
Working capital	12	7	59	-75	4	1
Cash flow from investing activities	-12	-22	-42	-30	-25	-20
CAPEX	-12	-22	-41	-30	-25	-20
Cash flow from financing activities	5	-35	11	-20	-22	-22
Dividend/buyback	-3	-10	-10	-10	-10	-10
Cash flow	0	2	70	-86	-8	-5

CFO/EBITDA	47%	103%	202%	-70%	83%	77%
FCFF	15	37	60	-65	13	17
FCFF/EV	5%	13%	23%	-19%	4%	5%
DPS	0.25	1.00	1.00	1.00	1.00	1.00
Dividend payment ratio	15.1%	32.7%	28.2%	41.1%	49.3%	76.2%
DYield	0.9%	3.7%	3.7%	3.7%	3.7%	3.7%

Source: SecoWarwick, forecasts by Erste Group Research

Balance sheet

(mn PLN)	2022	2023	2024	2025e	2026e	2027e
Fixed assets	166	190	229	240	244	242
Tangible assets	82	101	139	150	154	152
Intangible assets	48	52	54	54	54	54
Goodwill	32	32	32	32	32	32
Deferred charges and accruals	2	3	2	2	2	2
Current assets	415	437	480	429	390	401
Inventories	89	89	86	98	90	94
Receivables	106	132	111	127	117	122
Cash	74	76	146	60	52	47
Equity	222	243	261	271	275	279
Minorities	2	3	3	3	4	4
Long term liabilities	26	44	66	61	56	51
Debt	26	41	63	58	53	48
Short term liabilities	150	159	183	182	173	178
Debt	65	51	70	70	70	70
Trade liabilities	85	108	112	112	103	107
Deferred charges and accruals	127	158	179	133	109	114
Net Debt	18	17	-13	68	71	71
DN/EBITDA	0.3	0.3	-0.3	1.3	1.5	1.5
DN/adjusted EBITDA	0.3	0.3	-0.3	1.3	1.5	1.5

Source: SecoWarwick, forecasts by Erste Group Research

Ratios

	2022	2023	2024	2025e	2026e	2027e
P/E	9.1	7.7	11.2	13.4	20.7	19.5
P/E adj.	9.1	7.7	11.2	13.4	20.7	19.5
EV/EBITDA	5.2	5.1	5.2	6.7	7.4	7.2
EV/EA adj.	5.2	5.1	5.2	6.7	7.4	7.2
P/S	0.4	0.4	0.4	0.4	0.4	0.4
P/BV	1.3	1.1	1.0	1.0	1.0	1.0
EBITDA margin	9.2%	8.3%	7.0%	6.8%	6.8%	6.6%
EBITDA r/r change	55%	0%	-12%	1%	-8%	2%
Net income margin	4.9%	5.2%	3.4%	2.7%	1.9%	1.9%
EPS y/y change	81%	19%	-31%	-17%	-35%	6%
Share price (PLN)	27.20	27.20	27.20	27.20	27.20	27.20
Number of shares (mn)	10.3	10.0	10.0	10.0	10.0	10.0
MCap	280	272	272	272	272	272
EV	298	289	259	340	343	343

Source: SecoWarwick, forecasts by Erste Group Research

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Income Statement	2022	2023	2024	2025e	2026e	2027e
(IAS, PLN mn, 31/12)	31/12/2022	31/12/2023	31/12/2024	31/12/2025	31/12/2026	31/12/2027
Net sales	622.73	683.66	712.83	745.59	683.41	715.03
Cost of goods sold	485.39	530.55	563.20	595.43	542.10	569.46
Gross profit	137.34	153.11	149.62	150.16	141.31	145.56
SG&A	94.77	112.71	115.25	118.71	116.26	119.71
Other operating revenues	4.84	4.34	4.39	0.00	0.00	0.00
Other operating expenses	-5.36	-4.24	-7.01	0.00	0.00	0.00
EBITDA	57.06	56.80	50.24	50.61	46.32	47.46
Depreciation/amortization	-15.01	-16.30	-18.48	-19.16	-21.27	-21.60
EBIT	42.05	40.50	31.76	31.45	25.06	25.86
Financial result	-3.09	-10.02	-3.86	-5.40	-6.79	-6.63
Extraordinary result	0.00	0.00	0.00	0.00	0.00	0.00
EBT	33.34	30.27	27.74	26.05	18.27	19.22
Income taxes	1.28	6.23	3.05	6.29	5.51	5.69
Result from discontinued operations						
Minorities and cost of hybrid capital	13.44	14.10	14.36	15.52	16.37	17.38
Net result after minorities	30.62	35.41	24.33	20.28	13.12	13.92
Balance Sheet	2022	2023	2024	2025e	2026e	2027e
(IAS, PLN mn, 31/12)						
Intangible assets	82.00	100.94	139.43	150.27	154.00	152.40
Tangible assets	48.47	52.31	54.29	54.29	54.29	54.29
Financial assets	2.19	1.64	1.92	1.92	1.92	1.92
Total fixed assets	166.20	189.88	229.08	239.91	243.65	242.04
Inventories	415.46	436.70	479.77	428.92	389.89	400.58
Receivables and other current assets	106.38	132.32	111.05	127.25	116.64	122.04
Other assets	157.94	148.67	149.23	156.45	145.65	152.65
Cash and cash equivalents	73.90	75.74	145.84	60.02	51.61	46.73
Total current assets	573.41	585.37	629.01	585.37	535.54	553.23
TOTAL ASSETS	581.66	626.58	708.85	668.83	633.54	642.63
Shareholders'equity	221.66	242.89	261.19	271.47	274.59	278.51
Minorities	2.41	2.68	2.70	3.22	3.58	3.97
Hybrid capital and other reserves	0.00	0.00	0.00	0.00	0.00	0.00
Pension and other LT personnel accruals	0.00	0.00	0.00	0.00	0.00	0.00
LT provisions	0.00	0.00	0.00	0.00	0.00	0.00
Interest-bearing LT debts	26.34	41.46	62.77	57.77	52.77	47.77
Other LT liabilities	0.00	0.00	0.00	0.00	0.00	0.00
Total long-term liabilities	26.34	44.41	65.94	60.94	55.94	50.94
Interest-bearing ST debts	65.45	51.49	70.16	70.16	70.16	70.16
Other ST liabilities	224.12	278.93	305.09	260.26	227.48	238.27
Total short-term liabilities	150.14	159.10	182.65	182.20	172.86	177.61
TOTAL LIAB. , EQUITY	581.66	626.58	708.85	668.83	633.54	642.63
Cash Flow Statement	2022	2023	2024	2025e	2026e	2027e
(IAS, PLN mn, 31/12)						
Cash flow from operating activities	26.55	58.57	101.38	-35.42	38.38	36.76
Cash flow from investing activities	-11.67	-21.62	-42.15	-30.00	-25.00	-20.00
Cash flow from financing activities	0.00	1.84	70.10	-85.82	-8.41	-4.88
CHANGE IN CASH , CASH EQU.	73.90	75.74	145.84	60.02	51.61	46.73
Margins & Ratios	2022	2023	2024	2025e	2026e	2027e
Sales growth	34.4%	9.8%	4.3%	4.6%	-8.3%	4.6%
EBITDA margin	9.2%	8.3%	7.0%	6.8%	6.8%	6.6%
EBIT margin	6.8%	5.9%	4.5%	4.2%	3.7%	3.6%
Net profit margin	4.9%	5.2%	3.4%	2.7%	1.9%	1.9%
ROE	15.8%	15.2%	9.7%	7.6%	4.8%	5.0%
ROCE	11.3%	9.7%	5.1%	2.2%	0.3%	0.8%
Equity ratio	37.7%	38.3%	36.5%	40.1%	42.8%	42.7%
Net debt	17.9	17.2	-12.9	67.9	71.3	71.2
Working capital	309.7	303.1	299.7	310.9	295.0	301.4
Capital employed	237.1	260.4	248.8	339.3	345.5	348.9
Inventory turnover	-1.4	-1.2	-1.2	-1.3	-1.3	-1.4

Source: Company data, Erste Group estimates