Bank Pekao Biuro Maklerskie

Program Wsparcia Pokrycia Analitycznego GPW

Company Report | **Engineering & Construction** | **Poland** | **27 June 2025**

Mercor

A light breeze of optimism

We issue a Hold recommendation for Mercor with a 12M target price at PLN 25.50 per share. It is worth underscoring that our target price includes the right to receive a dividend in October 2025. Key insights include:

- In late May 2025, the Company received an unconditional approval from the antitrust authority, UOKiK, to make a concentration, based on which Mercor and Kingspan Group may further proceed to close the deal. The closing of the deal is expected this summer.
- It seems that our earlier concerns were reasonable and the business subject to the transaction is more profitable than the Company's remaining business. Based on 1-3Q'2024/25 figures, the business subject to the transaction had around 70% and 82% share in the Company's total revenue and gross profit, respectively. The implied gross profit margin of the remaining business amounted to 14.7% in 1-3Q'2024/25 (vs. 24.4% combined). Moreover, the implied EBIT for 1-3Q'2024/25 was negative. It is worth noting that due to an inverse effect of economies of scale, the ratio of the Company's SG&A to its revenue should rise. In our view, the Company's remaining business may have difficulty reaching the EBIT break-even point unless the situation in the industry improves significantly.
- The current economic situation in the cubature construction industry is not the best, and we see no clear signs of recovery. In turn, the order intake in April and May this year was clearly higher than last financial year's average (i.e. by 14%), which led us to a slightly higher level of optimism, translating into a higher forecast of order intake and revenues.

Mercor, Key figures

PLN mn	2022/23	2023/24	2024/25e	2025/26e	2026/27e	2027/28e
Revenues	628	587	506	162	181	192
EBITDA	88	76	42	203	40	12
Adj. EBITDA	88	76	42	7	10	12
EBIT	69	57	23	193	30	2
Adj. EBIT	69	57	23	-3	0	2
Net income	42	49	18	168	30	5
EPS	2.68	3.17	1.15	11.01	2.00	0.32
DPS	0.63	1.51	0.77	13.00	0.22	0.51
DY	2.7%	6.3%	3.1%	52.6%	0.9%	2.0%
P/E	9.1	7.7	21.6	neg.	68.5	38.1
EV/EBITDA	5.1	5.9	10.9	17.2	10.3	9.1
Net Debt	67	74	77	-52	-73	-67
Net Debt/EBITDA	0.8	1.0	1.8	-7.0	-7.1	-5.5

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. Multiples based on adjusted figures (from 2025/26e onwards also by a dividend).

Source: Mercor, Pekao Equity Research.

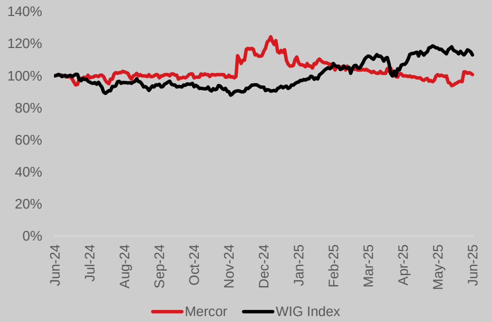
Hold (Upgraded)

Target price **PLN 25.50**

Upside to TP **3.2%**
Price on 26 June 2025 PLN 24.70

ESG rating C
Final ESG score 0.87

Relative share price performance vs. WIG Index



UPCOMING EVENTS

4Q'2024/25 results	July 15, 2025

STOCK DATA

Reuters/Bloomberg	MCRP.WA/MCR:PW
Free float (%)	42.7
Market capitalization (PLNmn)	378
No. of shares in issue (mn)	15.3

Shareholders	PERMAG sp. z o.o. 26.78% Bangtino Limited 21.54% NN Group NV 9.49%

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Recent developments

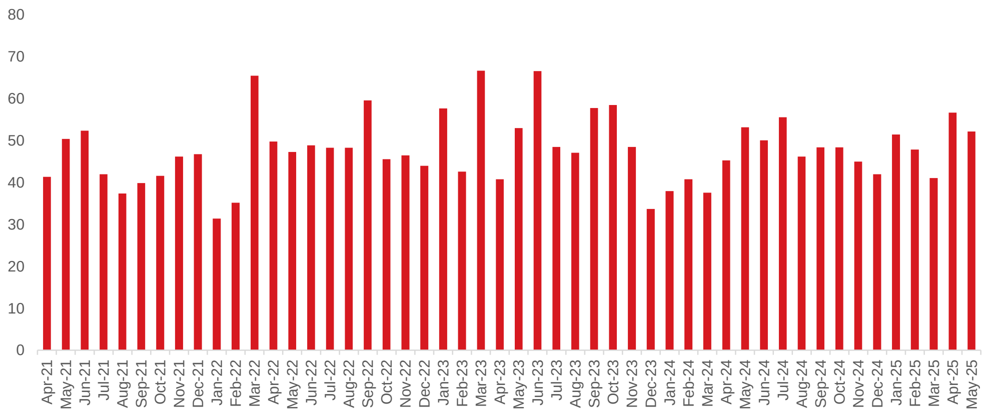
Approval from UOKiK to conclude the deal with Kingpsan Group

In late May 2025, the Company received an unconditional approval from the antitrust authority, UOKiK, to make a concentration, based on which Mercor and Kingspan Group may further proceed to close the deal. Just to remind, 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, i.e. the manufacture and sale of complex natural smoke exhausting systema and 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. The closing of the deal is expected this summer.

Order intake

In the recent FY 2024/25, the Company's order intake slightly rose to PLN 575mn (+1% y/y). The start of the FY 2025/26 was good with April's order intake at PLN 56.7mn (+25% y/y, +38% m/m), but May was not as good with PLN 52.2mn (-2% y/y, -8% q/q). Taking into account latest six months (from December 2024 to May 2025), the order intake rose by 17% y/y growth to PLN 291mn. The figures for April May are positive and clearly higher than last financial year's average (PLN 47.9mn), i.e. by 14%. One should have in mind that these figures also include OOO Mercor-Proof, which is no longer consolidated.

Order intake of Mercor (PLNmn)

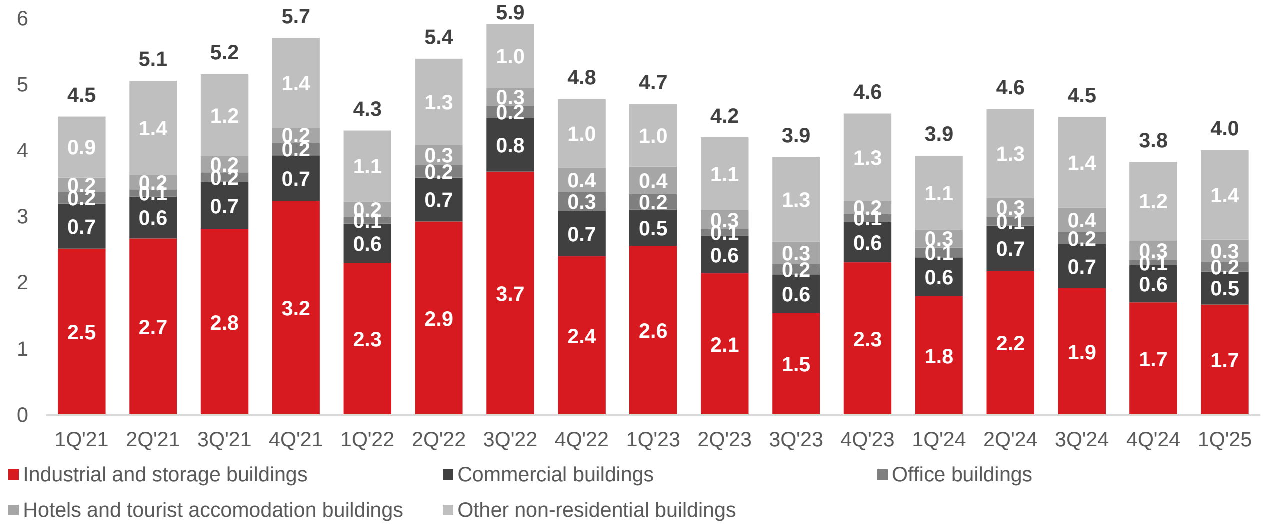


Źródło: Mercor, Pekao Equity Research.

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). In turn, data for 4Q'2024 was weak with permitted area of 3.8 million m^2 (-16.1% y/y). Ultimately, 2024 saw permits issued for 16.9 million m^2 (-2.8% y/y). 1Q'2025 was flattish with permits issued for 4.0 million m^2 (+2.1% y/y).

Useful floor area of non-residential buildings in issued building permits and construction notifications with a construction project in Poland since 2021 (million m^2)

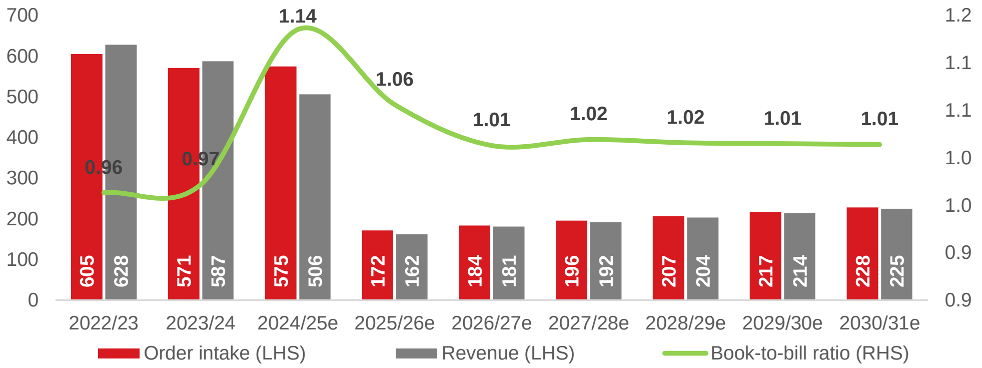


Source: GUS.

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 in 2024 declined by 7.7% y/y, however, the construction of buildings was lower by 7.3% y/y. The first five months of 2025 bought a growth in the construction and assembly production by 0.7% y/y, but the construction of buildings declined by 6.2% y/y.

We expect that the rebound may not come very soon. 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 an extended slowdown. Nevertheless, we slightly increased our full-year order intake and revenue forecast for 2025/26 following a quite solid order intake in the first two months of 2025/26.

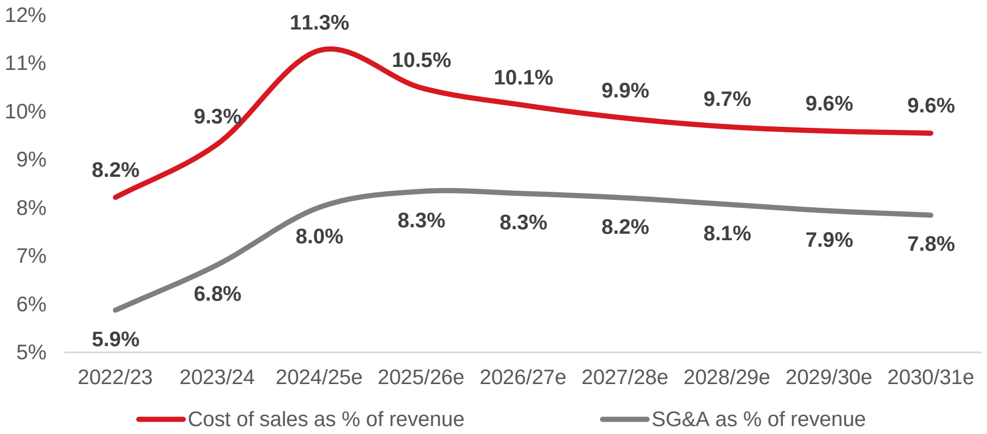
Mercor's order intake and revenue forecast (PLN mn)



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.

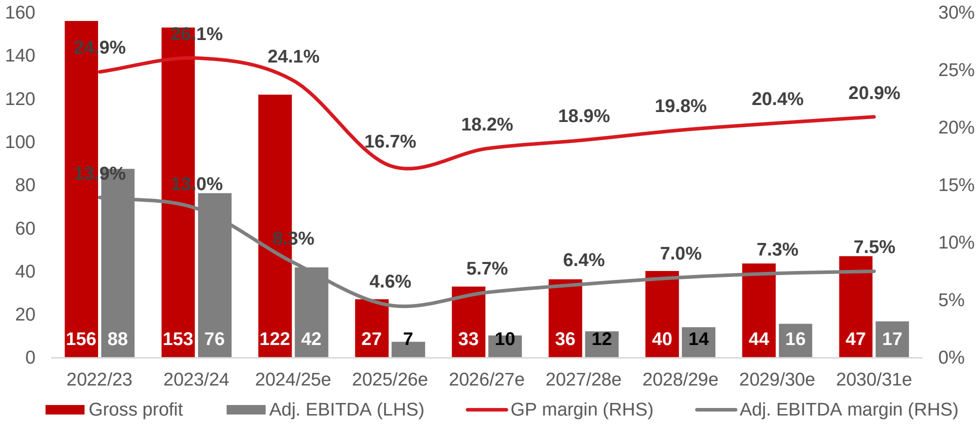
So far, Mercor looked decent in terms of gross profit margin, but we expect its deterioration due to a weaker market and higher competition, which has already been visible in the reported data. Furthermore, the business remaining in the Company is less profitable than that subject to the transaction, so we expect a visibly lower gross profit margin in 2025/26e. Moreover, 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.

The deal with Kingspan Group should be closed in in the third quarter of 2025. We would assume the payment of dividend of PLN 13/share in October 2025 and initiating the buyback thereafter. In the following years, we assume a modest level of dividends given the Company's lower scale of operations. In our view, earn-out may be at risk given a mediocre short-term outlook in the sector. For that reason, we assume that the Company will be entitled to achieve PLN 30mn of earn-out in 2026/27e. 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	575	172	184	196
Book-to-bill ratio	0.96	0.97	1.14	1.06	1.01	1.02
Revenue	**628**	**587**	**506**	**162**	**181**	**192**
change y/y	*26.7%*	*-6.5%*	*-13.8%*	*-67.9%*	*11.6%*	*6.1%*
COGS	-472	-434	-384	-135	-148	-156
Gross profit	**156**	**153**	**122**	**27**	**33**	**36**
Cost of sales	-52	-55	-57	-17	-18	-19
SG&A	-37	-40	-41	-14	-15	-16
EBIT	**69**	**57**	**23**	**193**	**30**	**2**
Adj. EBIT	**69**	**57**	**23**	**-3**	**0**	**2**
D&A	-19	-19	-18	-11	-11	-11
EBITDA	**88**	**76**	**42**	**203**	**40**	**12**
Adj. EBITDA	**88**	**76**	**42**	**7**	**10**	**12**
EBT	**60**	**59**	**23**	**194**	**33**	**6**
Net profit	**42**	**49**	**18**	**168**	**30**	**5**
Operating cash flow	64	49	29	-23	33	8
CAPEX	-11	-20	-13	-7	-7	-6
Free Cash Flow to the Firm (FCFF)	**53**	**29**	**15**	**-3**	**-1**	**3**
FCFF per share (PLN)	3.41	1.85	1.00	-0.19	-0.05	0.22
Net debt	67	74	77	-52	-73	-67
Net working capital	112	120	112	39	43	45
CAPEX / Revenue (%)	1.7%	3.4%	2.6%	4.1%	4.0%	3.2%
Net working capital / Revenue (%)	17.8%	20.4%	22.0%	24.2%	23.7%	23.6%

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 25.50 per share, which constitutes a 3.2% upside potential. It is worth mentioning that the target price includes the right to receive a dividend in October 2025. 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	25.50	100%
12M Multiples valuation	9.82	0%
12M target price	**25.50**	
Current price	24.70	
Upside/downside (%)	3.2%	

Source: Pekao Equity Research.

Peer valuation

		P/E			EV/EBITDA		
Company name	**Ticker**	**2025/26e**	**2026/27e**	**2027/28e**	**2025/26e**	**2026/27e**	**2027/28e**
ASSA ABLOY AB-B	ASSAB SS	20.5	18.2	16.6	13.7	12.5	11.6
LEGRAND SA	LR FP	21.9	20.6	19.4	14.7	13.8	12.9
DORMAKABA HOLDING AG	DOKA SW	25.5	21.9	18.3	8.1	7.4	6.7
ALLEGION PLC	ALLE US	18.2	16.9	15.4	14.4	13.7	12.7
CARRIER GLOBAL CORP	CARR US	23.8	21.0	18.9	16.0	14.8	13.7
NAPCO SECURITY TECHNOLOG	NSSC US	26.3	25.0	20.4	19.4	18.5	16.2
SYSTEMAIR AB	SYSR SS	19.8	17.9	16.8	10.3	9.6	8.8
Median total		**21.9**	**20.6**	**18.3**	**14.4**	**13.7**	**12.7**
Mercor		**neg.**	**68.5**	**38.1**	**17.2**	**10.3**	**9.1**
Premium/discount vs. Median		*n/a*	*232%*	*108%*	*20%*	*-25%*	*-28%*
Implied value per share (PLN)		**n/a**	**7.43**	**11.89**	**10.38**	**14.21**	**15.01**

Note: Multiples and peer valuation based on the Company's adj. EBITDA and adj. net profit (from 2025/26e onwards also by a dividend).

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 5.5% 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 5.0% in the residual period, respectively.
- Terminal CAPEX at the level with a consideration of ROIC and an assumed growth rate in the residual period.
- 3.0% 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 327mn which we assume to be paid in August 2025, (2) the present value of after-tax earn-out of PLN 22mn 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 9mn.
- We also added the value of non-operating assets of PLN 19mn, including PLN 14mn of the Company's stake in OOO Mercor-Proof and other entities 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	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	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	**11.5%**	**11.5%**	**11.5%**	**11.5%**	**11.5%**	**11.5%**	**9.0%**
Cost of debt	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
After-tax cost of debt	**6.1%**	**6.1%**	**6.1%**	**6.1%**	**6.1%**	**6.1%**	**6.1%**
Equity weight	82%	100%	100%	100%	100%	100%	100%
WACC	**10.5%**	**11.5%**	**11.5%**	**11.5%**	**11.5%**	**11.5%**	**9.0%**

DCF valuation

(PLN mn)	2025/26e	2026/27e	2027/28e	2028/29e	2029/30e	2030/31e	Terminal Year
Revenues	162.4	181.3	192.3	203.5	214.2	224.8	231.5
EBIT	-3.5	-0.5	1.6	4.1	6.1	8.0	11.6
Taxes on EBIT	0.0	0.0	-0.3	-0.8	-1.2	-1.5	-2.2
NOPAT	**-3.5**	**-0.5**	**1.3**	**3.3**	**5.0**	**6.4**	**9.4**
Depreciation and amortisation	10.9	10.7	10.7	10.1	9.6	8.9	9.2
Capital expenditures	-6.7	-7.3	-6.2	-6.5	-6.9	-7.0	-12.0
Change in NWC	-3.5	-3.7	-2.5	-2.8	-2.6	-2.5	-1.6
FCFF	**-2.8**	**-0.7**	**3.3**	**4.1**	**5.1**	**5.9**	**4.9**
Terminal value growth							*3.0%*
Terminal value							82.4
Discount factor	*0.93*	*0.83*	*0.75*	*0.67*	*0.60*	*0.54*	*0.54*
Present value of FCFF and TV	**-2.6**	**-0.6**	**2.5**	**2.7**	**3.1**	**3.2**	**44.4**
Enterprise Value	**52.6**						
Minorities	2.9						
Net debt	77.3						
Non-operating assets	19.5						
Other adjustments	358.0						
Equity Value	**349.9**						
Number of shares (mn)	15.3						
12M target price per share (PLN)	**25.50**						
Share price on June 26, 2025 (PLN)	24.70						
Upside/Downside vs. current price	*3.2%*						

	2025/26e	2026/27e	2027/28e	2028/29e	2029/30e	2030/31e	Terminal Year
Revenues growth	-68%	12%	6%	6%	5%	5%	3.0%
EBIT margin	-2.1%	-0.2%	0.8%	2.0%	2.9%	3.5%	5.0%
Effective tax rate	19.8%	0.0%	0.0%	19.0%	19.0%	19.0%	19.0%
Capex/revenues	4.1%	4.0%	3.2%	3.2%	3.2%	3.1%	
Capex/depreciation and amortization	61.8%	67.5%	57.7%	64.6%	71.6%	78.0%	

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

Terminal value growth/WACC	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%
-2.0%	28.02	27.97	27.91	27.84	27.74	27.62	27.44
-1.0%	26.83	26.72	**26.60**	**26.45**	**26.26**	26.04	25.74
0.0%	25.94	25.82	**25.67**	**25.50**	**25.30**	25.06	24.77
1.0%	25.26	25.13	**24.98**	**24.81**	**24.62**	24.39	24.12
2.0%	24.71	24.58	24.44	24.28	24.10	23.89	23.65

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%	25.42	25.76	26.09	26.42	26.74	27.06	27.38
9.0%	25.07	25.37	**25.67**	**25.96**	**26.25**	26.54	26.83
8.0%	24.71	24.98	**25.24**	**25.50**	**25.76**	26.01	26.26
7.0%	24.35	24.58	**24.81**	**25.03**	**25.25**	25.47	25.68
6.0%	23.98	24.17	24.35	24.55	24.73	24.91	25.09

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**	**506**	**162**	**181**	**192**
Gross Profit	**156**	**153**	**122**	**27**	**33**	**36**
SG&A	-89	-95	-98	-31	-33	-35
EBITDA	**88**	**76**	**42**	**203**	**40**	**12**
Adj. EBITDA	**88**	**76**	**42**	**7**	**10**	**12**
EBIT	**69**	**57**	**23**	**193**	**30**	**2**
Adj. EBIT	**69**	**57**	**23**	**-3**	**0**	**2**
Financial Income/Cost	-6	3	-5	-2	0	1
Pretax Profit	**60**	**59**	**23**	**194**	**33**	**6**
Income Tax	-13	-7	-4	-27	-3	-1
Net Profit	**42**	**49**	**18**	**168**	**30**	**5**
EPS (PLN)	**2.68**	**3.17**	**1.15**	**11.01**	**2.00**	**0.32**

Balance Sheet (PLN mn)	2022/23	2023/24	2024/25e	2025/26e	2026/27e	2027/28e
Total Current Assets	**252**	**210**	**308**	**159**	**184**	**182**
Cash and Equivalents	29	14	13	87	108	102
Other Current Assets	223	196	295	72	76	80
Total Fixed Assets	**195**	**200**	**104**	**100**	**101**	**100**
Tangible Assets	79	74	41	38	35	32
Other Fixed Assets	116	126	63	62	66	69
Total Assets	**448**	**410**	**412**	**259**	**286**	**283**
Stockholders` Equity	**214**	**225**	**218**	**185**	**210**	**205**
Noncontrolling interest	**12**	**3**	**3**	**3**	**3**	**3**
Long Term Liabilities	**86**	**75**	**96**	**37**	**37**	**37**
Long -Term Debt	82	71	90	35	35	35
Other Long - Term liabilities	4	4	6	2	2	2
Short Term Liabilities	**136**	**107**	**95**	**34**	**36**	**38**
Short -Term Debt	14	17	0	0	0	0
Other Current Liabilities	121	90	95	34	36	38
Total Equity & Liabilities	**448**	**410**	**412**	**259**	**286**	**283**
Net debt	67	74	77	-52	-73	-67

Cash Flow (PLN mn)	2022/23	2023/24	2024/25e	2025/26e	2026/27e	2027/28e
Net Profit	42	49	18	168	30	5
Depreciation and Amortisation	19	19	18	11	11	11
Other (incl. WC)	3	-20	-7	-202	-8	-7
Operating Cash Flows	**64**	**49**	**29**	**-23**	**33**	**8**
Capital Expenditures	-11	-20	-13	-7	-7	-6
Other	-1	1	-1	363	3	3
Cash Flows from Investing Activities	**-12**	**-19**	**-14**	**357**	**-4**	**-3**
Dividends paid	-10	-24	-12	-199	-3	-8
Other	-33	-20	-4	-60	-4	-4
Cash Flows from Financing Activities	**-43**	**-44**	**-16**	**-259**	**-7**	**-11**
Others/FX effect	0	-2	0	0	0	0
Change in Cash	9	-14	-1	74	21	-6
Cash at the end of period	**29**	**14**	**13**	**87**	**108**	**102**
DPS (PLN)	0.63	1.51	0.77	13.00	0.22	0.51
Y/Y growth ratios						
Revenues	27%	-7%	-14%	-68%	12%	6%
EBITDA	50%	-13%	-45%	385%	-80%	-69%
EBIT	56%	-17%	-59%	720%	-85%	-94%
Net profit	40%	18%	-64%	856%	-82%	-84%
EPS	40%	18%	-64%	862%	-82%	-84%
Margins						
EBITDA	**13.9%**	**13.0%**	**8.3%**	**125.3%**	**22.2%**	**6.4%**
EBIT Margin	10.9%	9.7%	4.6%	118.6%	16.3%	0.8%
Net Margin	6.6%	8.4%	3.5%	103.2%	16.6%	2.4%
ROE	**20.9%**	**22.5%**	**7.9%**	**83.1%**	**15.2%**	**2.3%**
Balance Sheet Ratios						
BVPS (PLN)	13.73	14.48	14.24	12.19	13.97	13.81
Net debt/EBITDA	0.8	1.0	1.8	-0.3	-1.8	-5.5
Bank Debt/Equity	45.1%	38.9%	41.3%	18.9%	16.7%	17.1%

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	1.15	11.01	2.00	0.32	0.45	0.57	0.69
Revenue	628	587	506	162	181	192	204	214	225
Gross Margin %	24.9%	26.1%	24.1%	16.7%	18.2%	18.9%	19.8%	20.4%	20.9%
EBIT	69	57	23	193	30	2	4	6	8
EBITDA	88	76	42	203	40	12	14	16	17
Net Income, GAAP	42	49	18	168	30	5	7	8	10
Net Debt	67	74	77	-52	-73	-67	-67	-67	-67
BPS	13.73	14.48	14.24	12.19	13.97	13.81	14.13	14.50	14.93
DPS	0.63	1.51	0.77	13.00	0.22	0.51	0.16	0.23	0.29
Return on Equity %	20.9%	22.5%	7.9%	83.1%	15.2%	2.3%	3.2%	4.0%	4.7%
Return on Assets %	9.5%	11.5%	4.3%	50.0%	11.0%	1.7%	2.3%	2.9%	3.4%
Depreciation	13	14	13	8	8	7	7	7	6
Amortization	6	5	6	3	3	3	3	3	3
Free Cash Flow	53	29	15	-3	-1	3	4	5	6
CAPEX	11	20	13	7	7	6	7	7	7

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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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.

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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