

Thursday, 3 July 2025 | update

## Grupa Kęty: hold (downgraded)

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### Beating the Strategy, Not the Valuation

We downgrade our call on Grupa Kęty from Buy to Hold while raising the target price from PLN 797.56 to PLN 911.00 per share.

We maintain a cautious but constructive view on Grupa Kęty heading into 2H25. While macro indicators remain weak (PMI Germany: 49.0, Eurozone: 49.5), we assume a gradual recovery in construction activity, which supports our upward revision of Aluminum Systems volumes by 7kt and a 55% increase in SELT EBITDA forecast to PLN 65.8m.

We do not expect a rebound in the Extruded Products segment, where margin pressure persists and EBITDA/t per ton is unlikely to return above PLN 3,000. Our base case assumes a continued structural decline in the segment's EBITDA contribution to an avg. 24% in 2025–34 from 31% in 2015–2024, driven by a strategic reallocation of capital to B2C and packaging.

We model a step-change in Flexible Packaging profitability from 2028, with the new BOPP line reaching 50kt capacity by 2029. We forecast segmental EBITDA at PLN 321m in 2028 assuming 120kt output and 20.5% margin. This supports our long-term view that FPS will become the second-largest EBITDA contributor.

We have revised 2025 CAPEX from PLN 230m to PLN 307m, reflecting updated investment plans. Cumulative 2025–29 CAPEX is now PLN 485m higher than in our previous model, which puts pressure on the FCF and net debt trajectory. We have also raised our 2025 labor cost growth estimate to 16% based on updated headcount projections (6,117 vs. 5,626 in 2024), mainly at SELT. A reduction in expected USD/PLN from 4.20 to 3.83 leads us to lower our 2025 EBITDA forecast by 3.3%. Nevertheless, our revenue (PLN 5.99bn) and EBITDA (PLN 1.05bn) estimates remain 3% above the consensus for 2025, while our 2026–2027 forecasts are broadly in line. Across all years, we remain slightly more optimistic than the company's official guidance.

KTY's valuation remains stretched, trading at a 24% premium to peers on 1–3Y FWD EV/EBITDA (YTD avg: 26%, historical avg: 10%). On our estimates, the stock is priced at 10.7x 2025E EV/EBITDA. We see limited room for further re-rating without clearer margin recovery and ALUPROF's international rollout.

<b>Current Price*</b>	899.00 PLN	<b>Upside</b>
<b>12M Target Price</b>	911.00 PLN	<b>+1.3%</b>

\* Price as of July 2, 2025, 5:00 PM

	rating	target price	issued
<b>new</b>	<b>hold</b>	<b>911.00 PLN</b>	<b>2025-07-03</b>
<b>old</b>	buy	797.56 PLN	2024-12-02
<b>Key Metrics</b>		<b>KTY PW</b>	<b>vs. WIG</b>
Ticker	KTY PW	1M Price Chng	+4.8% +1.1%
ISIN	PLKETY000011	YTD Price Chng	+31.7% +0.3%
Outst. Stock (m)	9.7	ADTV 1M	PLN 13.1m
MC (PLN m)	8,749.4	ADTV 6M	PLN 11.6m
EV (PLN m)	10,499.3	EV/EBITDA 12M fwd	9.5 +9.8%
Free Float	58.0%	EV/EBITDA 5Y avg	8.6 premium

### Earnings Projections

(PLN m)	2023	2024	2025E	2026E	2027E
Revenue	5,219	5,144	5,990	6,598	7,298
EBITDA	868	932	1,052	1,159	1,276
EBITDA margin	16.6%	18.1%	17.6%	17.6%	17.5%
EBIT	687	721	820	919	1,026
Net income	539	560	589	676	765
P/E	16.1	15.6	14.9	13.0	11.4
P/B	4.6	4.5	4.3	4.0	3.7
EV/EBITDA	11.0	11.0	10.0	9.1	8.3
DPS	62.50	55.40	55.50	54.63	59.16
DYield	7.0%	6.2%	6.2%	6.1%	6.6%
<b>Forecast Update (% change)</b>			<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
Revenue			+0.1%	+8.1%	+18.1%
EBITDA			-3.3%	+4.4%	+13.3%
net income			-1.9%	+6.2%	+17.3%
Aluminium price			+0.6%	+4.5%	+5.7%
USDPLN			-8.7%	-12.6%	-12.1%

#### List of abbreviations and ratios used by mBank:

**EV** (Enterprise Value) – Equity Value + Net Debt; **EBIT** – Earnings Before Interest and Taxes; **EBITDA** – EBIT + Depreciation & Amortisation; **Net Debt** – Borrowings + Debt Securities + Interest-Bearing Loans - Cash and Cash Equivalents; **P/E** (Price/Earnings) – Price Per Share Divided by Earnings Per Share; **P/CE** (Price to Cash Earnings) – Price Per Share Divided by Earnings + Depreciation & Amortisation; **P/B** (Price to Book Value) – Price Per Share Divided by Book Value Per Share; **P/CF** (Price to Cash Flow) – Price Divided by Cash Flow from Operations; **ROE** (Return on Equity) – Earnings Divided by Shareholders' Equity; **ROCE** (Return on Capital Employed) – EBIT x (Average Assets - Current Liabilities); **ROIC** (Return on Invested Capital) – EBIT x (1-Tax Rate) / (Average Equity + Minority Interest + Net Debt); **FCFF** (Free Cash Flow to Firm) – Cash Flow from Operations - CAPEX - Lease Payments; **FCFE** (Free Cash Flow to Equity) – Free Cash Flow to Firm - Net Interest Expense (incl. Debt + Leases); **EBITDA margin** – EBITDA/Sales

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**NEUTRAL (N)** – a rating which indicates that we expect the stock to perform in line with the broad market  
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**NAV** – valuation based on equity value, one of the most frequently used method in case of developing companies; the weak point of the method is that it does not factor in future changes in revenue/profits of a company.

#### mBank issued the following recommendations for Grupa Kęty in the 12 months prior to this publication:

##### Grupa Kęty (Jakub Sargsyan)

Rating	buy	buy
Rating date	2024-12-02	2024-09-02
Target price (PLN)	797,56	857,67
Price on rating day	724,50	776,00

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