

Thursday, 31 July 2025 | update

Text: hold (downgraded)

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Strategic Transition Amid Near-Term Challenges

Text is at a pivotal inflection point as it launches its unified platform, Text App, integrating LiveChat, HelpDesk, ChatBot, and workflow/AI automation into a single solution. The strategic ambition is clear: move upmarket into the enterprise segment, drive ARPU expansion, and improve net revenue retention through a more comprehensive, value-added offering.

While we view the probability of a successful platform migration as high, we believe the transition period will be marked by significant execution and structural challenges, which are likely to weigh on financial performance in the short to medium term.

First, we expect limited top-line growth in FY25 as clients transition to Text App under legacy pricing structures. ARPU uplift is unlikely before broader adoption materializes, pushing meaningful revenue acceleration into FY26+.

Secondly, with nearly all of revenues denominated in USD and over 60% of costs in PLN, Text is highly exposed to currency fluctuations. This means the recent appreciation of the PLN will materially compress reported earnings, with EBITDA in Q2'25 set to register a decrease of more than 20%.

Third, earnings pressure, in our view, might cause a reduction in dividends, which would come as a disappointment to income-oriented investors and weigh on overall sentiment.

Fourth, a pivot from SMB to enterprise will likely require increased investment in marketing and customer acquisition.

Lastly, the absence of SOC 2 compliance remains a critical barrier to securing large-scale enterprise contracts, particularly in the US and EU. This places Text at a disadvantage relative to certified peers.

We have updated our financial forecasts for Text and, as a result, our FY25 net income forecast is currently 28% below consensus. Given the long list of risks, and the absence of a clear catalyst in the near term, we downgrade our rating on the stock to 'hold.' Text is trading at 12.4x FY25/'26E P/E, below the peer average, however, we see limited scope for a sustained price recovery until execution risks subside and the benefits of the new platform begin to materialize.

Current Price*	60.00 PLN	Upside
12M Target Price	64.30 PLN	+7.2%

* Price as of July 30, 2025, 5:00 PM

	rating	target price	issued
new	hold	64.30 PLN	2025-07-31
old	buy	81.20 PLN	2024-12-02

Key Metrics			TXT PW	vs. WIG
Ticker	TXT PW	1M Price Chng	+1.4%	-2.6%
ISIN	PLLVTSF00010	YTD Price Chng	-8.8%	-45.7%
Outst. Stock (m)	25.8	ADTV 1M		PLN 4.7m
MC (PLN m)	1,545.0	ADTV 6M		PLN 3.3m
EV (PLN m)	1,507.7	EV/EBITDA 12M fwd	7.5	-43.1%
Free Float	33.6%	EV/EBITDA 5Y avg	13.3	discount

Earnings Projections					
(PLN m)	23/24	24/25	25/26E	26/27E	27/28E
Revenue	335	354	320	327	345
EBITDA	198	202	157	159	167
EBITDA margin	59.2%	56.9%	49.1%	48.6%	48.4%
EBIT	179	177	135	135	141
Net income	167	164	124	125	130
P/E	9.3	9.4	12.4	12.4	11.8
P/B	12.2	11.3	14.8	14.8	14.0
EV/EBITDA	7.4	7.3	9.6	9.5	9.1
DPS	5.95	5.98	6.06	4.83	4.84
DYield	9.9%	10.0%	10.1%	8.1%	8.1%

Forecast Update (% change)		25/26E	26/27E	27/28E
Revenue		-16.9%	-19.1%	-17.5%
EBITDA Adj.		-27.2%	-27.9%	-25.9%
EBIT		-28.9%	-29.5%	-27.6%
Net income		-29.3%	-29.9%	-28.0%
CAPEX		-16.9%	-19.1%	-17.5%

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

OVERWEIGHT (OW) – a rating which indicates that we expect a stock to outperform the broad market

NEUTRAL (N) – a rating which indicates that we expect the stock to perform in line with the broad market

UNDERWEIGHT (UW) – a rating which indicates that we expect the stock to underperform the broad market

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TEXT is a counterparty to mBank S.A.

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mBank issued the following recommendations in the 12 months prior to this publication:

Text (Paweł Szpilej)

Rating	buy
Rating date	2024-12-02
Target price (PLN)	81.20
Price on rating day	62.00

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