Company Report | **Industry** | **Poland** | **12 September 2025**

Apator

Quality over quantity

We initiate our recommendation for Apator with a Buy recommendation and a 12M target price at PLN 28.50 per share (28.4% upside potential). Apator is one of the leading manufacturers of measurement devices and systems and a supplier of solutions supporting the operation of electricity, gas, and water networks. Although the first half of 2025 was weaker for Apator, we see several positives. We base our conclusions on:

- The utility metering market is shifting towards smart technologies, creating demand for the Company's products, which is further supported by regulations requiring the installation of meters with a remote reading function.
- After the first half of 2025, it became clear that the Company would not be able to repeat its record-high revenues from 2024 this year, but the expansion of margins gives cause for optimism. Despite lower revenues in 1H'2025, the Company managed to improve its gross profit margin by 1.7 p.p. to 27.6% and its EBITDA margin by 1.1 p.p. to 13.2%. We also expect profitability to improve y/y in 2H'2025, with this trend continuing in the following years. However, we assume that the Company's current strategy in the financial field will not be delivered.
- We expect the Company to generate decent cash flows with a high single-digit FCF yield in the coming years, which should translate into a decline in the net debt to EBITDA ratio from the current 0.8x to around zero in 2029e. A further improvement in the Company's cash position creates room for dividend increases.
- In early September, the Company announced plans to develop a new version of the FPV drone together with partners, with the intention of jointly participating in future military tenders. Although this may be a potential growth factor in the future, we are not currently including it in our base-case scenario due to the relatively early stage of the project and a lot of unknowns.

Apator, Key figures

PLN mn	2023	2024	2025e	2026e	2027e	2028e
Revenues	1,137	1,228	1,158	1,211	1,234	1,262
EBITDA	97	142	150	160	164	168
EBIT	40	85	82	92	96	100
Net income	8	73	62	68	71	75
EPS	0.28	2.52	2.14	2.34	2.43	2.58
FCF	72	94	59	65	72	72
DPS	0.50	0.60	1.00	1.05	1.12	1.18
DY	2.0%	2.4%	4.0%	4.2%	4.5%	4.7%
P/E	89.1	9.9	11.6	10.6	10.3	9.7
FCF yield	9.9%	13.0%	8.2%	9.0%	9.9%	9.9%
EV/EBITDA	9.8	6.1	5.6	5.1	4.8	4.5
Net Debt	218	138	120	90	57	25
Net Debt/EBITDA	2.3	1.0	0.8	0.6	0.3	0.1

Source: Apator, Pekao Equity Research.

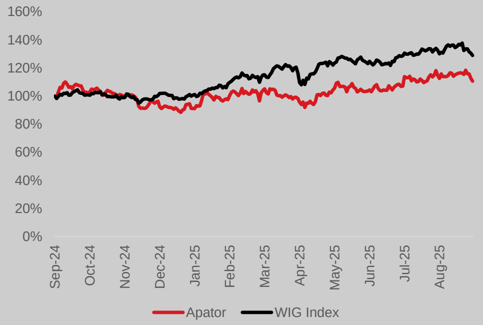
Buy (Initiation of Coverage)

Target price — **PLN 28.50**

Upside to TP — **28.4%**
Price on 11 September 2025 — PLN 22.20

ESG rating — **B**
Final ESG score — **1.05**

Relative share price performance vs. WIG Index



UPCOMING EVENTS

3Q'2025 results	November 14, 2025

STOCK DATA

Reuters/Bloomberg	APTP.WA/APT:PW
Free float (%)	66.5
Market capitalization (PLNmn)	725
No. of shares in issue (mn)	32.6

Shareholders	PTE Allianz Polska S.A. 13.92% Apator Mining 11.03% Mariusz Lewicki 7.16%

Damian Szparaga, CFA
damian.szparaga@pekao.com.pl

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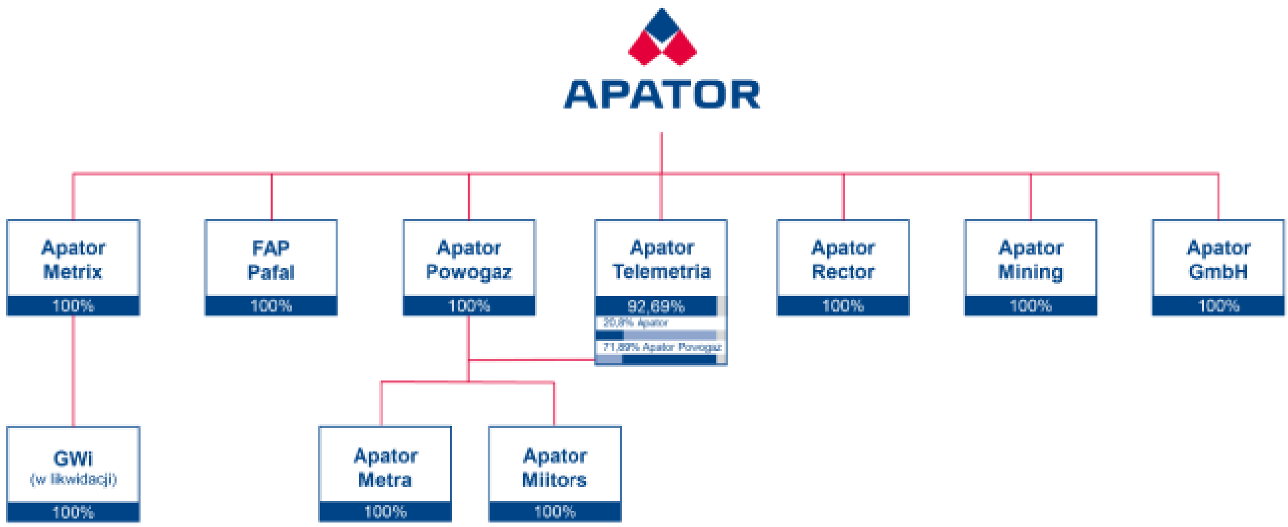
Business model and strategy

The Company's description

The Apator Group manufactures measurement equipment and systems and provides solutions supporting the operation of electricity, water, and gas networks. The group comprises 11 domestic and foreign companies, employing approximately 2,300 people in nine production plants and seven R&D offices. The Company is a leader in the Polish market and supplies its products to 60 countries worldwide. The Company has been listed on the Warsaw Stock Exchange since 1997 and is currently included in the sWIG80 and WIGdiv indices. Apator has a nearly 20-year history of paying dividends.

Structure of the Apator capital group at the end of 2024



Source: Apator.

Operating segments

The Group operates in three segments: (1) Electricity, (2) Gas, and (3) Water and Heat. The Electricity segment accounts for almost half of the group's revenue and has been the largest contributor to EBITDA for the past two years. Approximately one-third of the group's revenue is generated by the Water and Heat segment, which achieves the highest gross profit margin of all segments, at a stable level of approximately 30%. Due to the recent improvement in margins in the Electricity segment, the Water and Heat segment's contribution to EBITDA is lower than two years ago, but still significant. The Gas segment accounts for approximately 20-25% in the group's structure of revenue, but profitability has deteriorated significantly since 2022, resulting in an insignificant share in the group's EBITDA.

The Electricity segment

The Electricity segment consists of four companies: (1) Apator S.A. (Toruń), (2) Apator Rector (Zielona Góra), (3) FAP Pafal (Świdnica), and (4) Apator GmbH (Germany). The segment encompasses four business lines: (1) electricity metering, (2) switchgear equipment, (3) automation, and (4) ICT. Its primary customers include electricity distribution network operators, wholesale electrical, electrical assembly and electrical installation companies, construction, industrial, and railway customers, as well as PV and wind farms and other participants in the renewable energy sector.

Business lines in the Electricity segment

Source: Apator.

The segment offers a range of products and solutions, including:

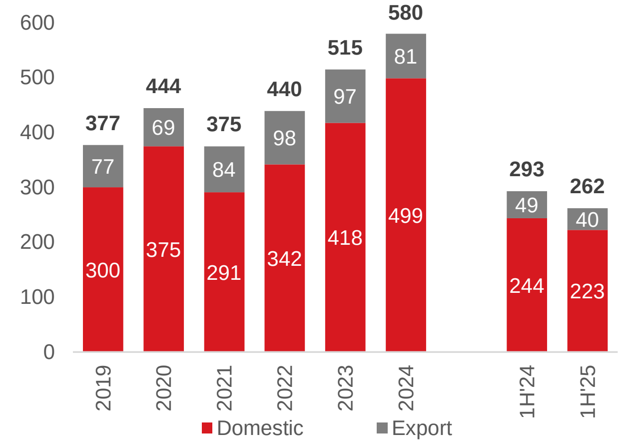
- Electronic energy meters, including smart solutions (with a remote reading function).
- Energy distribution devices.
- Control and monitoring systems.
- Measurement data management systems.
- Solutions for renewable energy sources (automation, renewable energy management systems, energy storage).

Last year, the segment's revenue increased by 12.7% y/y to PLN 580mn, which translates into the CAGR 2019-2024 of +9.0%. During this period, domestic sales grew dynamically, with their share in the segment's revenues increasing from 80% in 2019 to 86% in 2024. The decline in revenues in 2021 was due to the high base in 2020 (a contract concerning the Capacity Market in 2020) on the one hand, but also a result of delays in tenders and supply chain issues. This also translated into a decline in profitability, which began to improve from 2022 as a result of optimization initiatives and renegotiation of sales contracts. Currently, the segment's EBITDA margin has returned to its pre-pandemic level, supported by lower raw material prices and PLN appreciation.

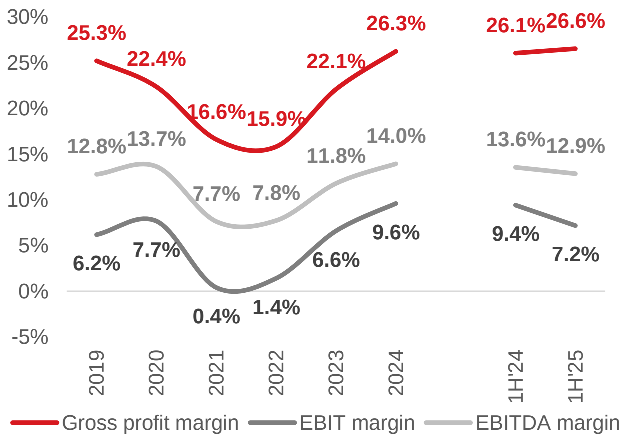
In 1H'2025, sales revenue declined by 10.5% y/y. Gross profit margin was better, but EBITDA and EBIT margins were worse than in 1H'2024.

The Electricity segment over 2019-1H'2025

Revenue (PLN mn)



Profitability



Source: Apator, Pekao Equity Research.

The Gas segment

The Gas segment comprises three companies: (1) Apator Metrix (Tczew), (2) Apator GmbH (Germany), and (3) GWi (United Kingdom), the latter of which is in liquidation and is no longer consolidated since April 2024. The main customers are gas companies (distributors and suppliers). The products are sold under the Company's own brand and under the brands of other manufacturers (OEM). The segment offers a range of products and solutions, including:

- Bellows gas meters, including smart solutions (with a remote reading function).
- Remote reading services, a system enabling the suspension and resumption of gas supplies via the GSM network.
- Manufacture of machines for the automation of industrial processes.

Products and solutions offered by the Gas segment

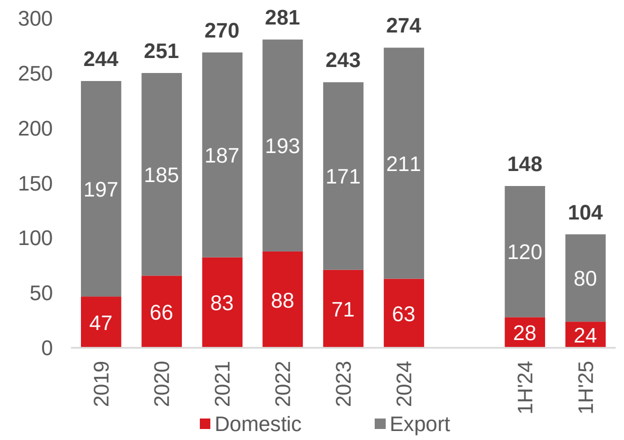
Source: Apator.

Last year, the segment's revenue increased by 12.9% y/y to PLN 274mn, which translates into the CAGR 2019-2024 of +2.4%. Domestic sales grew more dynamically during this period, but their share in the segment's revenue is not significant. Exports accounted for 77% of revenues in 2024, compared to 81% five years earlier. A visible decline in revenue in 2023 was due to a temporary suspension of investments in the gas network, resulting in reduced purchases. Margins declined significantly in 2022 and 2023, mainly as a result of higher material costs, higher transportation costs, and increasing wage pressure, as well as write-downs on the carrying amount of fixed assets. Last year, the EBITDA margin looked better, but it was still far from double-digit levels.

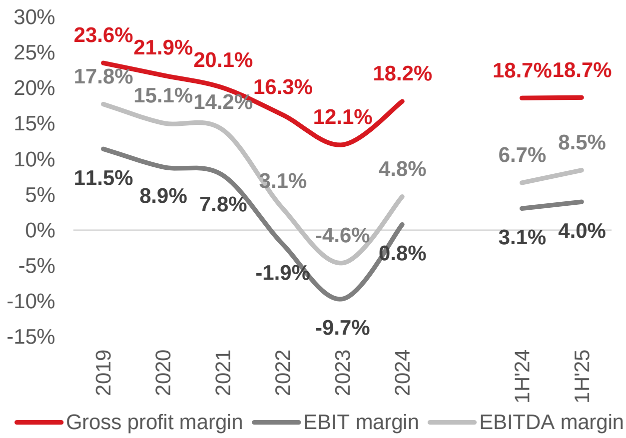
In 1H'2025, sales revenue declined by 29.8% y/y. Gross profit margin was flat, but EBITDA and EBIT margins were better than in 1H'2024.

The Gas segment over 2019-1H'2025

Revenue (PLN mn)



Profitability



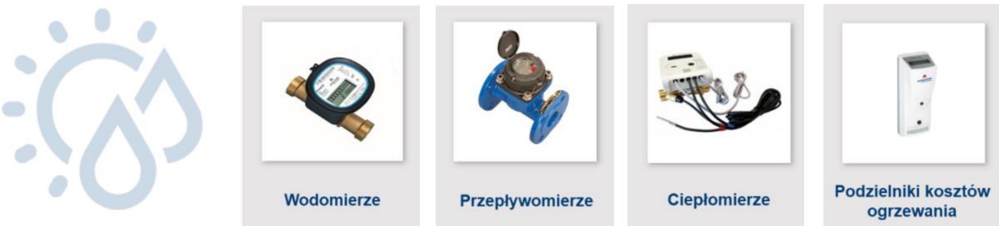
Source: Apator, Pekao Equity Research.

The Water and Heat segment

The Water and Heat segment comprises four companies: (1) Apator Powgaz (Jaryszki), (2) Apator Telemetria (Słupsk), (3) Apator Metra (Czech Republic), and (4) Apator Miitors (Denmark). The customer base is quite large and dispersed, the main customers are water and sewage companies, heat energy companies, construction companies and industrial companies. Unlike other segments, the sales model in the Water and Heat segment requires active customer acquisition and building of relationships. The segment offers a range of products and solutions, including:

- Mechanical water meters, including smart solutions (with a remote reading function).
- Ultrasonic water meters.
- Heat meters, heat cost allocators.
- Remote reading and utility billing services, network infrastructure management support systems.

Products and solutions offered by the Water and Heat segment



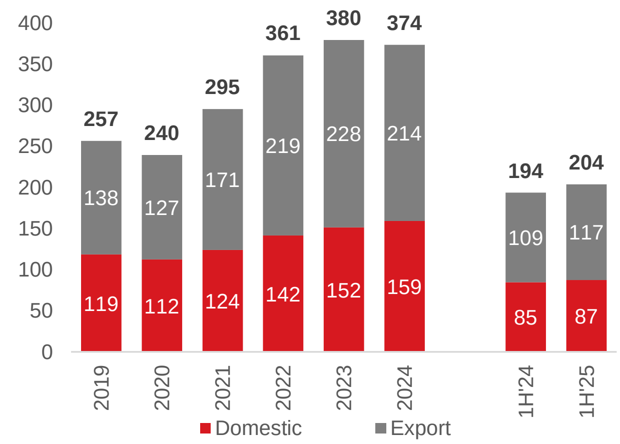
Source: Apator.

Last year, the segment's sales revenue fell by 11.6% y/y to PLN 374mn due to a decline in exports caused partly by shifts in customer investment schedules and the PLN appreciation. Previously, export revenue dynamics exceeded domestic dynamics. Exports accounts for more than half of the segment's revenue. Taking into account the segment's total revenue, the CAGR 2019-2024 amounted to +7.8%. The EBITDA margin in recent years was at a fairly solid double-digit level, with the exception of 2021, when the sale of real estate boosted the margin by nearly 12 p.p.

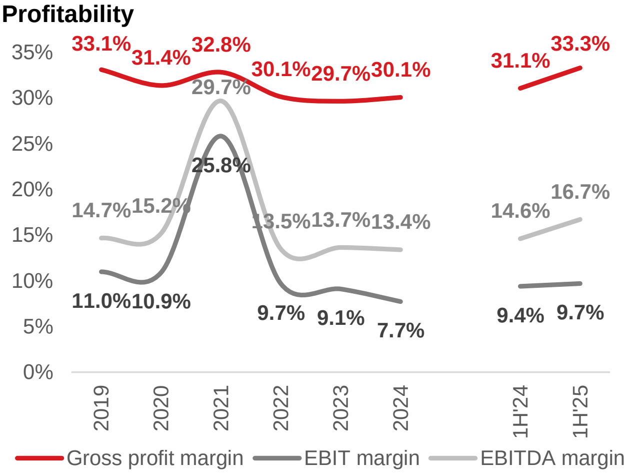
In 1H'2025, sales revenue increased by 5.3% y/y, while margins were better than in 1H'2024.

The Water and Heat segment over 2019-1H'2025

Revenue (PLN mn)



Profitability



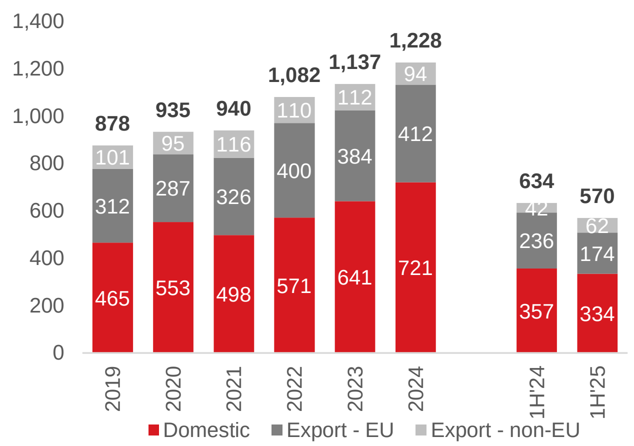
Source: Apator, Pekao Equity Research.

Consolidated data

Sales revenue

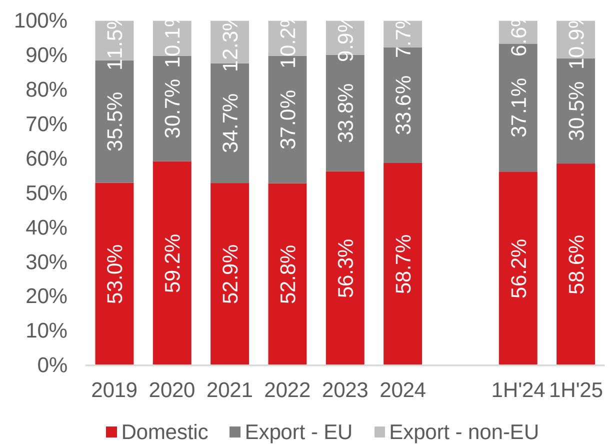
More than half of sales revenue is generated domestically, while approximately one-third comes from the EU countries. The largest export markets in 2024 were Belgium, Germany and the Czech Republic, with a 7.7%, 7.7% and 5.0% share in total revenue, respectively. The Company is supplying 1 million gas meters in Belgium under a contract worth approximately EUR 65mn with deliveries scheduled for 2023-2031, for which a significant portion is to be completed by the end of 2026. Ultrasonic water meters are mainly supplied to Germany, but also electricity meters and gas meters. The Company supplies the Czech market mainly with water meters and cost allocators.

Revenue by area (PLN mn)



Source: Apator, Pekao Equity Research.

Geographical structure of revenue (%)



Source: Apator, Pekao Equity Research.

Operating costs

The cost of materials and energy clearly dominates the structure of Apator Group's operating costs, accounting for around half of the costs by nature. Employee benefits accounted for around one-quarter of operating costs until 2024, but their share in the structure increased to 30% in 1H'2025. A share of external services in the structure was approximately 12%.

Costs by nature (PLN mn)

PLN mn	2019	2020	2021	2022	2023	2024	1H'24	1H'25
Operating costs by type	**803**	**864**	**891**	**1,037**	**1,080**	**1,124**	**577**	**527**
Depreciation and amortization	50	53	56	56	56	57	28	34
Materials and energy consumption	367	428	443	543	535	558	295	260
External services	95	102	126	118	126	145	65	67
Employee benfits	215	214	229	240	253	279	146	158
Other costs	28	25	25	32	39	32	13	20
Change in the products and production for own needs	19	15	-36	-21	8	-6	4	-48
Value of goods sold	28	27	48	69	63	59	26	36
Structure of operating costs by type	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Depreciation and amortization	6.2%	6.1%	6.3%	5.4%	5.2%	5.1%	4.8%	6.4%
Materials and energy consumption	45.7%	49.6%	49.7%	52.4%	49.5%	49.7%	51.2%	49.4%
External services	11.8%	11.8%	14.1%	11.4%	11.7%	12.9%	11.3%	12.7%
Employee benfits	26.8%	24.8%	25.7%	23.2%	23.5%	24.8%	25.3%	30.0%
Other costs	3.5%	2.9%	2.9%	3.1%	3.6%	2.9%	2.2%	3.8%
Change in the products and production for own needs	2.4%	1.7%	-4.0%	-2.0%	0.7%	-0.6%	0.6%	-9.0%
Value of goods sold	3.5%	3.2%	5.4%	6.6%	5.8%	5.2%	4.6%	6.8%

Source: Apator, Pekao Equity Research.

Considering the structure of purchases of materials, electronic and electrotechnical components constitute the largest group, typically accounting for approximately 40-50%. The Group also uses non-ferrous metals (copper), which usually account for a double-digit percent of the structure, as well as plastics, chemical raw materials and their derivatives, which also account for a double-digit percent of the structure. Communication modules account for approximately 10% of the structure.

The cost of goods sold (COGS) is the largest component of costs, which is typical for manufacturing companies. For a longer time, the Company has been achieving a gross profit margin of over 20%. Until 2024, SG&A costs accounted for approximately 4% and 13% of sales revenue, respectively, but these ratios deteriorated slightly due to a decline in revenue in 1H'2025.

Costs by function (PLN mn)

PLN mn	2019	2020	2021	2022	2023	2024	1H'24	1H'25
Costs of goods sold	640	705	727	858	881	913	470	413
SG&A costs	163	158	165	179	199	211	107	114
including costs of sales	*40*	*32*	*37*	*42*	*45*	*48*	*24*	*26*
including G&A costs	*123*	*126*	*128*	*137*	*154*	*163*	*83*	*88*
As % of sales revenue								
Costs of goods sold	72.9%	75.4%	77.3%	79.3%	77.5%	74.4%	74.1%	72.4%
SG&A costs	18.6%	16.9%	17.5%	16.6%	17.5%	17.2%	16.9%	19.9%
including costs of sales	*4.5%*	*3.4%*	*3.9%*	*3.9%*	*3.9%*	*3.9%*	*3.9%*	*4.5%*
including G&A costs	*14.1%*	*13.5%*	*13.6%*	*12.6%*	*13.5%*	*13.3%*	*13.0%*	*15.4%*
Margins								
Gross profit margin	*27.1%*	*24.6%*	*22.7%*	*20.7%*	*22.5%*	*25.6%*	*25.9%*	*27.6%*
Net profit margin	*8.5%*	*7.6%*	*5.2%*	*4.2%*	*5.0%*	*8.4%*	*9.0%*	*7.6%*

Source: Apator, Pekao Equity Research.

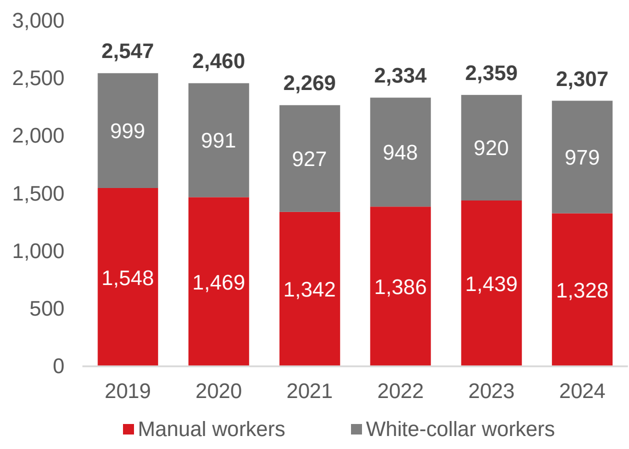
Currency risk

Starting in June 2023, the Company has been utilizing swap hedging transactions to hedge against the risk of changes in raw material prices. The level of hedging adopted in a given period may not exceed 50% of the annual currency exposure in the case of import hedging, while in the case of export hedging, the level of hedging ranges from 50% to 80% of the annual currency exposure.

Employment

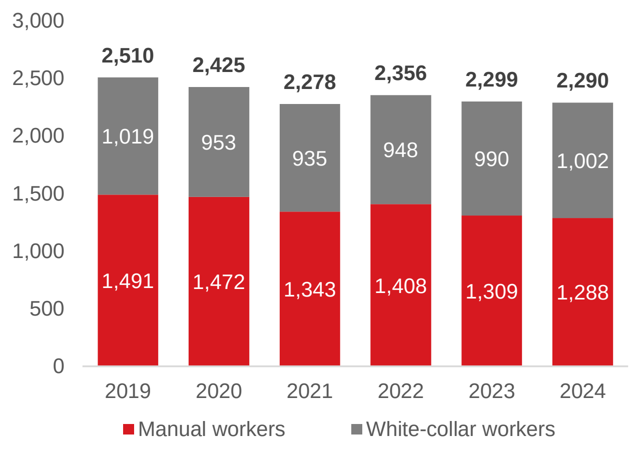
At the end of 2019, the Apator Group employed over 2.5 thousand employees (full-time equivalent), but two years later this number fell by about 10% to below 2.3 thousand. In 2022, the number of full-time positions increased slightly. Currently, the group employs approximately 2.3 thousand people, of which around one thousand are white-collar workers.

Average employment over 2019-2024 (in full-time equivalent)



Source: Apator, Pekao Equity Research.

Employment at the end of a given year over 2019-2024 (in full-time equivalent)



Source: Apator, Pekao Equity Research.

Strategy

The previous strategy by 2025

Previously, the Company pursued a strategy published in 2018 and subsequently revised in October 2022 due to changes in the business environment. In financial terms, the revised strategy assumed the following targets to be achieved by 2025:

- Sales revenue of PLN 1.4bn.
- EBITDA of ca. PLN 200mn.
- A target ND/EBITDA ratio of less than 2x.

The current strategy for 2024-2028

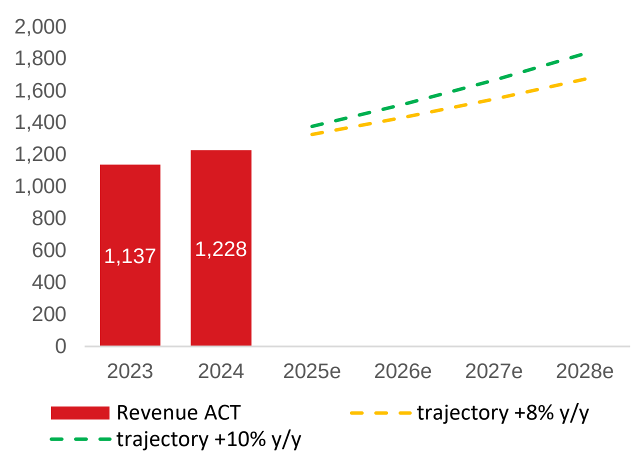
The Company's current strategy was published in June 2024 and encompasses the years 2024-2028. The strategy focuses on developing existing business activities, pursuing new directions based on existing competencies, and improving efficiency. In financial terms, the strategy assumes achieving the following by 2028:

- The annual growth or revenue of 8-10% (compared to 2023).
- Improvement in the EBITDA margin by 5-6 p.p. (compared to 2023).
- ND/EBITDA ratio below 2.0x.
- CAPEX at 5-7% of revenue.
- Dividend at up to 75% of Apator S.A. profit.

In 2024, the Company increased its revenue by 8% y/y and improved its EBITDA margin to 11.6%, so the direction is in line with the assumptions. In turn, the ND/EBITDA ratio at the end of 2024 fell below 1x. In 1H' 2025, revenue declined by 10% y/y.

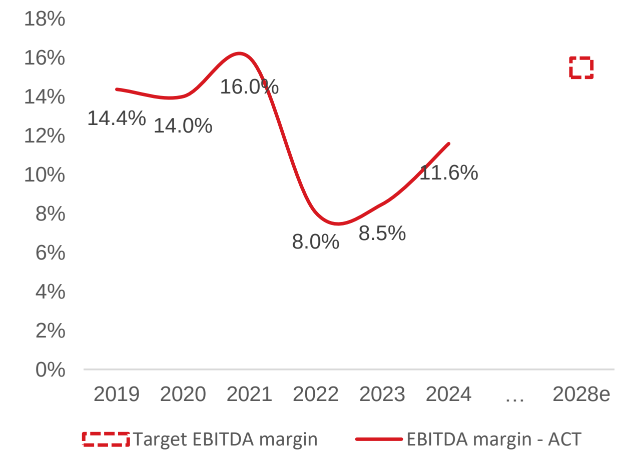
The implied level of sales revenue in 2028 ranges from PLN 1.67bn to PLN 1.83bn. Taking into account the adjusted EBITDA margin in 2023 at 10% and the assumed improvement of 5-6 percentage points by 2028, the implied EBITDA range would be between PLN 251mn and PLN 293mn, assuming the materialization of a worse scenario (revenue +8% y/y and an increase of EBITDA margin to 15%) and a better scenario (revenue +10% y/y and an increase of EBITDA margin to 16%), respectively. We assume that the strategy in the financial field will not be delivered.

Assumptions regarding sales revenue (PLN mn)



Source: Apator, Pekao Equity Research.

Assumptions regarding EBITDA margin



Source: Apator, Pekao Equity Research.

Forecasts

We expect the Electricity and Water and Heat segments to be the drivers of the Company's growth in the coming years, while we are more cautious about the Gas segment:

- **The Electricity segment** – The domestic market is key, accounting for over 80% of revenue. Based on Poland's Energy Policy until 2040, a requirement was introduced to install electricity meters with remote reading functionality in at least 80% of households by the end of 2028, with intermediate targets of 35% by the end of 2025 and 65% by the end of 2027. By July 4, 2031, all end users should be equipped with meters with remote reading capability. A share of meters with remote reading functionality increased from 29.12% at the end of 2023 to 38.26% at the end of 2024, i.e. by more than 9 percentage points (1.8 million meters). The coming years will be crucial for achieving this goal, as it will be necessary to install over 8 million meters within 4 years (2025-2028), which is the main growth factor for this segment. The German market should also be an important market, with targets of 20% by the end of 2025, 50% by the end of 2028 and 95% by the end of 2030.
- **The Gas segment** – We view this segment with a greater caution due to the fact that the development of this market is more dependent on geopolitical decisions. The market is characterized by large public tenders and contracts concluded for several years, as well as fairly strong competition. Outside Europe, the competition is even fiercer. The hydrogen market could be an opportunity, but due to the lack of its economic viability, we do not expect hydrogen to play a significant role in the economy. In the short term, a positive impact on results should have the contract with PSG (eGazomierz) worth PLN 134mn, which should be completed by 3Q'2026. On the other hand, the contract for gas meters to Belgium worth EUR 65mn is nearing completion. In the long term, we expect the Gas segment to become less and less important for the Company's results.
- **Water and Heat segment** – The segment is affected to some extent by the economic situation in the housing construction industry, which creates new demand for meters. In Poland, water meters must be legalized or replaced every 5 years. Current regulations require owners or managers of multi-unit buildings to install hot water meters and heat meters with remote reading functionality by January 1, 2027. This segment should be quite stable, but it also has a growth potential.

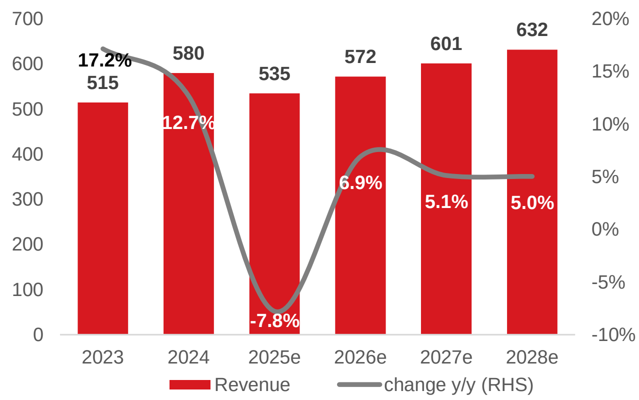
We assume that the second half of the year will be better than the first and that the Company will not experience such a large decline in revenues as in 1H'2025, but nevertheless, this year should close with a decline in revenues of 5.7 y/y to PLN 1.16bn. We assume the CAGR 2025-2030 of +2.6%, with the Electricity segment as the fastest growing (+5.4%). In the medium term, we expect a decline in revenues in the Gas segment.

We assume that the trend of improving gross profit margin will continue in 2H'2025, and that the gross profit margin will exceed 27% in the full-year 2025. In the following years, we assume a gradual improvement resulting from improved profitability in the Electricity and Water and Heat segments, as well as from a more favourable mix. We expect a faster growth in SG&A costs to revenue ratio, which should translate into a net profit from sales margin of around 8-9% in the coming years. According to our forecast, the Company should improve its EBITDA and EBIT margins this year. In the coming years, we expect margins to improve further to above 13% in the case of EBITDA margin and around 8% in the case of EBIT margin. Positive cash flows should translate into a decrease in net debt, which should result in an improvement in the net profit margin.

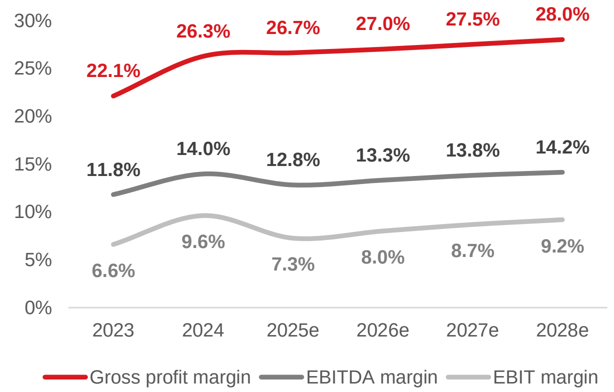
In early September, the Company announced that, together with its partners (FlyFocus and Phoenix Systems), it intends to develop a new version of the FPV (*First Person View*) drone with the intention of jointly participating in future military tenders. Although this may be a potential growth factor in the future, we are not currently including it in our base-case scenario due to the relatively early stage of the project and a lot of unknowns at this stage.

Forecast of revenue and profitability by operating segments

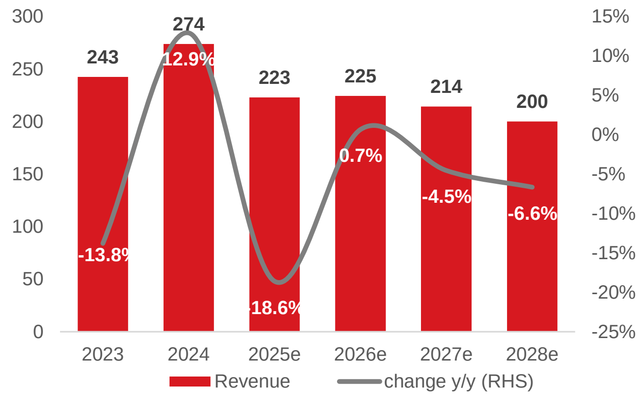
Electricity – revenue (PLN mn)



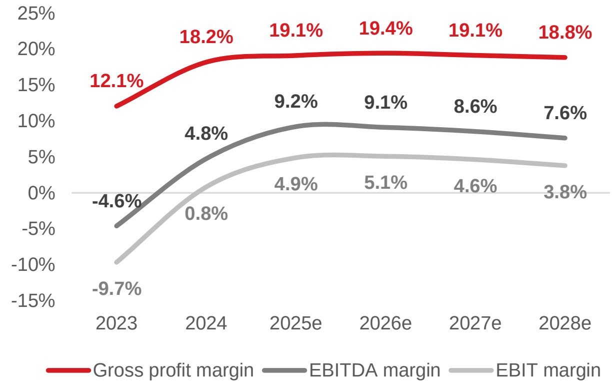
Electricity – profitability



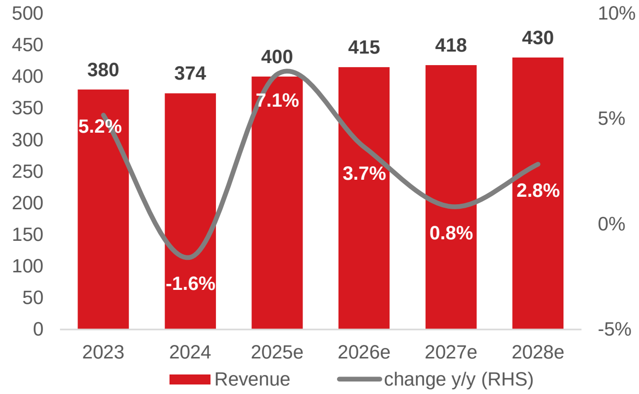
Gas – revenue (PLN mn)



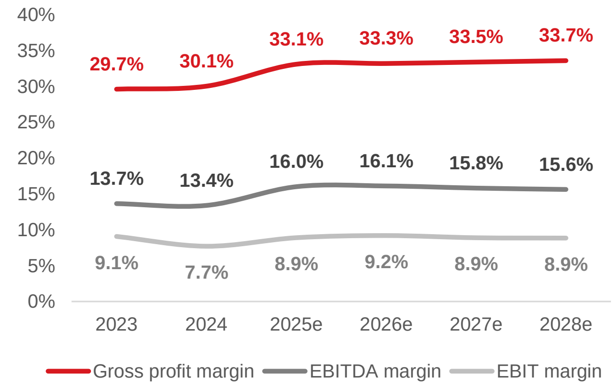
Gas – profitability



Water and Heat – revenue (PLN mn)



Water and Heat – profitability

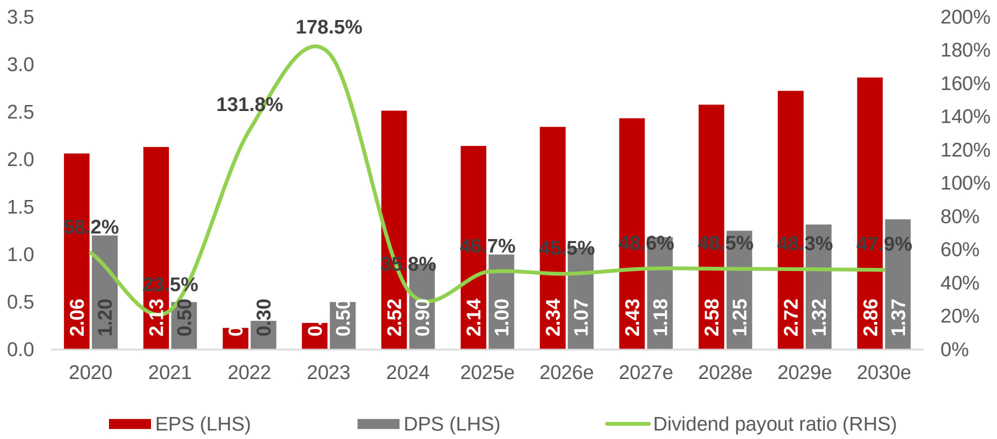


Source: Apator, Pekao Equity Research.

Capital allocation

Apator has a nearly 20-year history of dividend payments. EPS for the previous year amounted to PLN 2.52, and the Company paid DPS of PLN 0.90 for 2024 (firstly an advance payment of PLN 0.30 in December 2024 and PLN 0.60 this month). We assume that the dividend policy will continue in its current form, i.e. with an advance payment before the end of a given year and a payment after the approval of the financial statements for a given year. We expect the Company to pay an advance dividend of PLN 0.40 in December. In following years, we expect dividends to increase as profitability improves and net debt declines.

Apator's EPS and DPS (PLN)



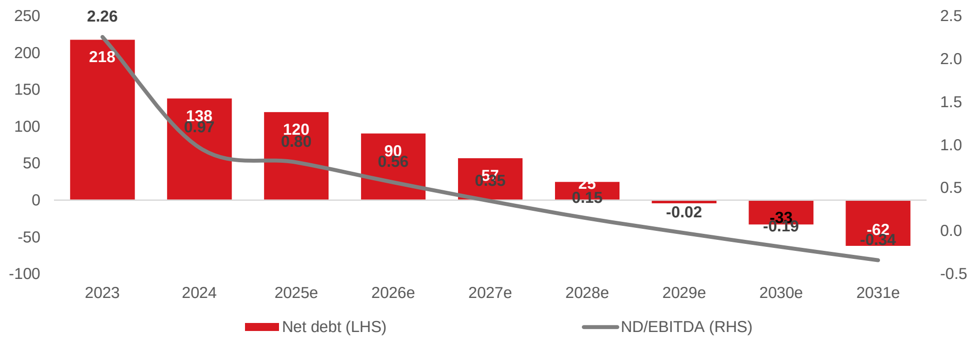
Source: Apator, Pekao Equity Research.

In August this year, the Company announced the launch of a share buyback program with a maximum value of PLN 10mn. The buyback will last by the end of April 2026,. The Company intends to buy back a maximum of 500 thousand shares at a maximum price of PLN 22 per share. We consider this positively, but we do not assume that the Company will carry out a buyback given the current level of share price.

Net debt

At the end of 2024, the net debt to EBITDA ratio fell below 1.0x, and 2025 brought a further decline. Based on our assumptions, we forecast a gradual decline in net debt despite dividend payments and capital expenditure at around 6% of revenue. In our view, the Company is in a good financial position, which enables it to increase the dividend payout ratio or carry out acquisitions while maintaining its current investment program.

Net debt (PLN mn)



Source: Apator, Pekao Equity Research.

Apator – the assumptions of key earning's drivers

PLN mn	2023	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e
Revenue	**1,137**	**1,228**	**1,158**	**1,211**	**1,234**	**1,262**	**1,289**	**1,318**	**1,351**
EE	515	580	535	572	601	632	663	697	731
GAZ	243	274	223	225	214	200	190	182	175
W&H	380	374	400	415	418	430	436	440	445
change y/y	*5.1%*	*8.0%*	*-5.7%*	*4.6%*	*1.9%*	*2.3%*	*2.2%*	*2.2%*	*2.5%*
COGS	-881	-913	-840	-875	-888	-902	-918	-935	-957
Gross profit	**256**	**315**	**318**	**336**	**347**	**360**	**371**	**383**	**394**
EE	114	153	143	155	166	177	189	201	211
GAZ	29	50	43	44	41	38	35	33	31
W&H	113	112	133	138	140	145	148	149	151
Gross profit margin	**22.5%**	**25.6%**	**27.5%**	**27.8%**	**28.1%**	**28.5%**	**28.8%**	**29.1%**	**29.2%**
EE	22.1%	26.3%	26.7%	27.0%	27.5%	28.0%	28.4%	28.8%	28.9%
GAZ	12.1%	18.2%	19.1%	19.4%	19.1%	18.8%	18.5%	18.2%	17.9%
W&H	29.7%	30.1%	33.1%	33.3%	33.5%	33.7%	33.9%	34.0%	34.0%
Cost of sales	-45	-48	-53	-56	-57	-59	-61	-63	-65
SG&A	-154	-163	-178	-184	-189	-196	-201	-206	-212
EBITDA	**97**	**142**	**150**	**160**	**164**	**168**	**173**	**177**	**182**
EE	61	81	69	76	83	89	96	103	110
GAZ	-11	13	21	20	18	15	13	12	11
W&H	52	50	64	67	66	67	67	65	65
Others	-5	-2	-3	-3	-4	-4	-4	-4	-4
EBITDA margin	**8.5%**	**11.6%**	**13.0%**	**13.2%**	**13.3%**	**13.3%**	**13.4%**	**13.4%**	**13.5%**
EE	11.8%	14.0%	12.8%	13.3%	13.8%	14.2%	14.5%	14.8%	15.0%
GAZ	-4.6%	4.8%	9.2%	9.1%	8.6%	7.6%	7.0%	6.6%	6.3%
W&H	13.7%	13.4%	16.0%	16.1%	15.8%	15.6%	15.3%	14.9%	14.6%
D&A	-56	-57	-68	-68	-68	-68	-68	-68	-69
EBIT	**40**	**85**	**82**	**92**	**96**	**100**	**105**	**109**	**112**
EE	34	56	39	46	52	58	64	71	77
GAZ	-23	2	11	11	10	8	6	6	5
W&H	35	29	36	38	37	38	38	36	34
Others	-5	-2	-3	-3	-4	-4	-4	-4	-4
EBIT margin	**3.5%**	**6.9%**	**7.1%**	**7.6%**	**7.8%**	**7.9%**	**8.1%**	**8.3%**	**8.3%**
EE	6.6%	9.6%	7.3%	8.0%	8.7%	9.2%	9.7%	10.2%	10.5%
GAZ	-9.7%	0.8%	4.9%	5.1%	4.6%	3.8%	3.3%	3.1%	3.0%
W&H	9.1%	7.7%	8.9%	9.2%	8.9%	8.9%	8.6%	8.2%	7.7%
EBT	**28**	**82**	**76**	**84**	**87**	**92**	**98**	**103**	**107**
Net profit	**8**	**73**	**62**	**68**	**71**	**75**	**79**	**83**	**87**
Operating cash flow	108	151	131	132	142	145	145	149	152
CAPEX	-36	-57	-72	-67	-70	-73	-76	-79	-81
Free Cash Flow to the Firm (FCFF)	**72**	**94**	**59**	**65**	**72**	**72**	**70**	**71**	**73**
FCFF per share (PLN)	2.19	2.88	1.81	1.99	2.21	2.19	2.16	2.19	2.23
Net debt	218	138	120	90	57	25	-4	-33	-62
Net working capital	283	256	235	245	248	252	258	264	270
CAPEX / Revenue (%)	3.2%	4.7%	6.2%	5.5%	5.7%	5.8%	5.9%	6.0%	6.0%
Net working capital / Revenue (%)	24.9%	20.9%	20.3%	20.2%	20.1%	20.0%	20.0%	20.0%	20.0%

Source: Apator, Pekao Equity Research.

Risk factors

Apator is exposed to a number of internal and external risks related to running a business, the most important of which are:

- **Geopolitical risk**. The tense geopolitical and economic situation in Europe and worldwide is not beneficial to economic growth, which may have a negative impact on the sales volume of existing products and changes in customer needs.
- **Risk of inflation and recession.** Higher prices may adversely affect the Company's profitability. In addition, higher inflation may lead to increased wage expectations among employees.
- **Supply chain risks.** Difficulties in access to electronic components and shortages of certain raw materials may cause their prices to rise, which may have a negative impact on the Company's profitability. Electronic components, plastics, metallurgical products and copper are the most sensitive to economic fluctuations.
- **Risk of competition and price decline.** Increased competitive and price pressure (mainly from Asian suppliers) may cause a decline in the prices of the Company's products.
- **Regulatory risk**. New regulations and changes to existing legal regulations may adversely affect the Company's operations.
- **Exchange rate fluctuations**. The Group sales and purchases in currencies other than its functional currency. The Group takes a cautious approach and uses forward contracts and swaps, but it is not possible to completely eliminate the impact of exchange rate fluctuations.
- **Change in interest rates**. Apator took out loans and borrowings and has finance lease liabilities. An increase in interest rates may result in increased costs of servicing this debt.
- **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.
- **Liquidity risk**. The Group is exposed to liquidity risk, understood as the inability to repay financial liabilities when they fall due.
- **Availability of workers with appropriate qualifications**. Progressive robotization, automation and accelerated technological development mean that programmers, designers and engineers are among the most sought-after groups of employees on the labour market, which contributes to an increase in employees' financial expectations. In order to prevent staff turnover, the Company offers above-market base salaries and attractive bonus and benefit schemes. A reduced availability of suitably qualified employees may put additional pressure on salary increases.
- **Risk of goodwill impairment**. Related to a possible reduction in the cash generation potential of subsidiaries.

Valuation

Our valuation implies the 12M target price at PLN 28.50 per share, which constitutes a 28.4% upside potential. 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.

Apator: Valuation summary

Valuation method	Derived price (PLN)	Weighting (%)
12M DCF valuation	28.50	100%
12M Multiples valuation	46.79	0%
12M target price	**28.50**	
Current price	22.20	
Upside/downside (%)	28.4%	

Source: Pekao Equity Research.

Peer valuation

		P/E			EV/EBITDA		
Compay name	Ticker	2025e	2026e	2027e	2025e	2026e	2027e
ITRON INC	ITRI US	19.6	18.8	17.1	15.9	14.5	12.8
LANDIS + GYR GROUP AG	LAND SW	21.0	15.8	13.3	12.3	10.8	9.7
BADGER METER INC	BMI US	37.6	33.4	31.9	24.1	21.9	20.9
PHOENIX MECANO AG - REG	PMN SW	12.4	8.9	8.2	7.3	5.8	5.5
XYLEM INC	XYL US	28.5	25.5	23.3	17.8	16.3	15.0
HONEYWELL INTERNATIONAL INC	HON US	20.2	18.8	17.2	15.4	14.4	13.6
WASION HOLDINGS LTD	3393 HK	11.4	9.3	7.8	6.1	5.1	4.3
NITTO KOGYO CORP	6651 JT	13.3	12.3	11.3	6.8	6.4	6.1
		19.9	**17.3**	**15.2**	**13.9**	**12.6**	**11.3**
		11.6	**10.6**	**10.3**	**5.6**	**5.1**	**4.8**
		-42%	*-38%*	*-33%*	*-59%*	*-60%*	*-58%*
		37.96	**36.03**	**32.90**	**60.09**	**58.93**	**54.85**

Source: Pekao Equity Research.

ESG rating

Apator Capital Goods	E	S	G
Score	0.95	1.00	1.15
Sector weight	20%	40%	40%
Final ESG Score		**1.05**	
ESG Rating		**B**	

	score from:	to	Rating	WACC risk premium impact (% of RFR)
ESG Rating	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 2031. 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 5.4% from 2026e to 20231e and 4.0% in the terminal year.
- Equity risk premium of 6.0% from 2026e to 2031e and 5.0% in the terminal year.
- Beta coefficient of 1.0.
- Additional ESG discount to the cost of equity equal to 0.41% (7.5% of risk free rate) based on ESG rating.
- Credit margin of 1.5%.
- Corporate income tax rate of 19%.
- Dynamic weight of equity and debt, in the calculation of weighted cost of capital (WACC) until 2031e.
- Target EBITDA margin of 13.5% and EBIT margin of 8.0% in the residual period, respectively.
- Terminal CAPEX at the level with a consideration of ROIC and an assumed growth rate in the residual period.
- 2.0% growth of free cash flow in the residual period.
- We adjusted the valuation by the value of 3.6 million treasury shares held by Apator Mining sp. z o.o. valued at PLN 80mn (at the current market price), which were acquired in 2000 and which the Company does not intend to change in its ownership.

DCF valuation

WACC calculation

	2026e	2027e	2028e	2029e	2030e	2031e	Terminal Year
Risk free rate	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	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	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%
Cost of equity	**11.0%**	**11.0%**	**11.0%**	**11.0%**	**11.0%**	**11.0%**	**8.6%**
Cost of debt	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%
After-tax cost of debt	**5.6%**	**5.6%**	**5.6%**	**5.6%**	**5.6%**	**5.6%**	**5.6%**
Equity weight	89%	92%	95%	98%	100%	100%	100%
WACC	**10.4%**	**10.6%**	**10.7%**	**10.9%**	**11.0%**	**11.0%**	**8.6%**

DCF valuation

(PLN mn)	2026e	2027e	2028e	2029e	2030e	2031e	Terminal Year
Revenues	1,211.5	1,234.1	1,262.1	1,289.3	1,318.0	1,351.4	1,378.4
EBIT	92.1	96.0	100.2	104.5	108.8	112.3	110.3
Taxes on EBIT	-17.5	-18.2	-19.0	-19.9	-20.7	-21.3	-21.0
NOPAT	**74.6**	**77.8**	**81.2**	**84.7**	**88.1**	**91.0**	**89.3**
Depreciation and amortisation	68.1	68.2	68.2	68.0	68.2	69.5	70.8
Capital expenditures	-66.6	-70.3	-73.2	-76.1	-79.1	-81.1	-81.2
Change in NWC	-9.9	-3.0	-3.7	-6.1	-5.7	-6.6	-5.4
FCFF	**66.2**	**72.7**	**72.5**	**70.4**	**71.5**	**72.7**	**73.5**
Terminal value growth							*2.0%*
Terminal value							1,114.9
Discount factor	*0.88*	*0.80*	*0.72*	*0.65*	*0.58*	*0.53*	*0.53*
Present value of FCFF and TV	**58.2**	**57.8**	**52.0**	**45.6**	**41.7**	**38.2**	**586.0**
Enterprise Value	**879.5**						
Minorities	2.6						
Net debt	119.7						
Non-operating assets	1.0						
Other adjustments	79.9						
Equity Value	**838.2**						
Diluted number of shares (mn)	32.6						
12M target price per share (PLN)	**28.50**						
Share price on September 11, 2025 (PLN)	22.20						
Upside/Downside vs. current price	*28.4%*						

Revenues growth	5%	2%	2%	2%	2%	3%	2.0%
EBIT margin	7.6%	7.8%	7.9%	8.1%	8.3%	8.3%	8.0%
Effective tax rate	10.5%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%
Capex/revenues	5.5%	5.7%	5.8%	5.9%	6.0%	6.0%	
Capex/depreciation and amortization	97.8%	103.1%	107.4%	111.9%	116.0%	116.7%	

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

Terminal value growth/WACC	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
-2.0%	36.90	38.11	39.56	41.33	43.53	46.34	50.06
-1.0%	31.32	32.02	**32.82**	**33.77**	**34.91**	36.29	38.02
0.0%	27.13	27.53	**27.98**	**28.50**	**29.10**	29.82	30.67
1.0%	23.87	24.08	**24.33**	**24.61**	**24.92**	25.29	25.71
2.0%	21.25	21.36	21.48	21.62	21.77	21.94	22.13

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%
15.5%	28.10	29.14	30.18	31.23	32.29	33.34	34.40
14.5%	26.88	27.87	**28.86**	**29.86**	**30.86**	31.87	32.89
13.5%	25.67	26.60	**27.55**	**28.50**	**29.46**	30.43	31.40
12.5%	24.46	25.35	**26.25**	**27.16**	**28.08**	29.01	29.94
11.5%	23.27	24.12	24.93	25.84	26.71	27.57	28.46

Source: Pekao Equity Research.

Key financial data

P&L (PLN mn)	2023	2024	2025e	2026e	2027e	2028e
Revenues	**1,137**	**1,228**	**1,158**	**1,211**	**1,234**	**1,262**
Gross Profit	**256**	**315**	**318**	**336**	**347**	**360**
SG&A	-199	-211	-231	-240	-246	-255
EBITDA	**97**	**142**	**150**	**160**	**164**	**168**
EBIT	**40**	**85**	**82**	**92**	**96**	**100**
Financial Income/Cost	-13	-8	-6	-8	-9	-8
Pretax Profit	**28**	**82**	**76**	**84**	**87**	**92**
Income Tax	-19	-9	-14	-16	-17	-18
Net Profit	**8**	**73**	**62**	**68**	**71**	**75**
EPS (PLN)	**0.28**	**2.52**	**2.14**	**2.34**	**2.43**	**2.58**

Balance Sheet (PLN mn)	2023	2024	2025e	2026e	2027e	2028e
Total Current Assets	**483**	**467**	**477**	**503**	**534**	**574**
Cash and Equivalents	23	18	32	63	98	131
Other Current Assets	460	450	444	440	437	443
Total Fixed Assets	**493**	**498**	**515**	**514**	**515**	**520**
Tangible Assets	197	215	241	242	245	251
Other Fixed Assets	296	283	273	273	270	269
Total Assets	**975**	**965**	**991**	**1,017**	**1,050**	**1,094**
Stockholders` Equity	**537**	**590**	**603**	**641**	**679**	**719**
Noncontrolling interest	**2**	**2**	**3**	**3**	**3**	**3**
Long Term Liabilities	**80**	**63**	**151**	**152**	**153**	**154**
Long -Term Debt	67	54	141	142	143	144
Other Long - Term liabilities	13	10	10	10	9	9
Short Term Liabilities	**356**	**310**	**235**	**222**	**216**	**219**
Short -Term Debt	174	102	11	11	11	12
Other Current Liabilities	182	207	224	211	204	207
Total Equity & Liabilities	**975**	**965**	**991**	**1,017**	**1,050**	**1,094**
Net debt	218	138	120	90	57	25

Cash Flow (PLN mn)	2023	2024	2025e	2026e	2027e	2028e
Net Profit	8	73	62	68	71	75
Depreciation and Amortisation	56	57	68	68	68	68
Other (incl. WC)	43	21	1	-4	3	2
Operating Cash Flows	**108**	**151**	**131**	**132**	**142**	**145**
Capital Expenditures	-36	-57	-72	-67	-70	-73
Other	11	-1	-2	2	2	3
Cash Flows from Investing Activities	**-25**	**-59**	**-74**	**-64**	**-68**	**-70**
Dividends paid	-15	-17	-29	-30	-32	-34
Other	-74	-80	-14	-7	-7	-7
Cash Flows from Financing Activities	**-89**	**-98**	**-43**	**-37**	**-39**	**-41**
Others/FX effect	0	0	0	0	0	0
Change in Cash	-6	-5	15	30	35	33
Cash at the end of period	**23**	**18**	**32**	**63**	**98**	**131**
DPS (PLN)	0.50	0.60	1.00	1.05	1.12	1.18
Y/Y growth ratios						
Revenues	5%	8%	-6%	5%	2%	2%
EBITDA	11%	48%	5%	7%	2%	3%
EBIT	28%	112%	-3%	12%	4%	4%
Net profit	23%	798%	-15%	9%	4%	6%
EPS	23%	798%	-15%	9%	4%	6%
Margins						
EBITDA	**8.5%**	**11.6%**	**13.0%**	**13.2%**	**13.3%**	**13.3%**
EBIT Margin	3.5%	6.9%	7.1%	7.6%	7.8%	7.9%
Net Margin	0.7%	6.0%	5.4%	5.6%	5.7%	5.9%
ROE	**1.5%**	**13.0%**	**10.4%**	**10.9%**	**10.7%**	**10.7%**
Balance Sheet Ratios						
BVPS (PLN)	16.45	18.08	18.47	19.63	20.80	22.04
Net debt/EBITDA	2.3	1.0	0.8	0.6	0.3	0.1
Bank Debt/Equity	44.8%	26.4%	25.2%	23.9%	22.8%	21.7%

Source: Pekao Equity Research.

Summary of key financial data

PLN mn	2023	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e
EPS, GAAP	0.28	2.52	2.14	2.34	2.43	2.58	2.72	2.86	2.99
Revenue	1,137	1,228	1,158	1,211	1,234	1,262	1,289	1,318	1,351
Gross Margin %	22.5%	25.6%	27.5%	27.8%	28.1%	28.5%	28.8%	29.1%	29.2%
EBIT	40	85	82	92	96	100	105	109	112
EBITDA	97	142	150	160	164	168	173	177	182
Net Income, GAAP	8	73	62	68	71	75	79	83	87
Net Debt	218	138	120	90	57	25	-4	-33	-62
BPS	16.45	18.08	18.47	19.63	20.80	22.04	23.35	24.73	26.16
DPS	0.50	0.60	1.00	1.05	1.12	1.18	1.25	1.32	1.37
Return on Equity %	1.5%	13.0%	10.4%	10.9%	10.7%	10.7%	10.7%	10.6%	10.4%
Return on Assets %	0.8%	7.5%	6.4%	6.8%	6.8%	7.0%	7.1%	7.1%	7.1%
Depreciation	40	41	44	44	44	44	44	44	45
Amortization	17	16	24	24	24	24	24	24	24
Free Cash Flow	72	94	59	65	72	72	70	71	73
CAPEX	36	57	72	67	70	73	76	79	81

Source: Pekao Equity Research.

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Analyst	Position	Financial instrument	Number of instruments	Exposure (long/short)	Average transactions price	Transactions dates
Damian Szparaga	Expert, Analyst	Apator	n.a.	n.a.	n.a.	n.a.

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METHODS USED TO FORMULATE OUR RECOMMENDATIONS:

Our company valuations are based on two valuation methods selected from among the following: discount model, multiples-based model or asset-based valuation method.

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.

The investment ratings generally relate to a 12-month horizon. They are, however, also subject to market conditions and can only represent a snapshot. The ratings may in fact be achieved more quickly or slowly than expected, or need to be revised upward or downward. In the tables and charts throughout this report, we designate the years with an “E” to denote that the figures presented are forecasts and estimates.

Definition of ratings used in our publications:

We currently use a three-tier recommendation system for the stocks in our formal coverage: Buy, Hold, or Sell (see definitions below):
A **Buy** is applied when the expected total return over the next twelve months is higher than 15%.
A **Hold** is applied when the expected total return over the next twelve months is within the range of 0% to 15%.
A **Sell** is applied when the stock's expected total return over the next twelve months is negative.

We employ three further categorizations for stocks in our coverage:
Restricted: A rating and/or financial forecasts and/or target price is not disclosed owing to compliance or other regulatory considerations such as blackout period or conflict of interest.
Coverage in transition: Due to changes in the research team, the disclosure of a stock's rating and/or target price and/or financial information are temporarily suspended. The stock remains in the research universe and disclosures of relevant information will be resumed in due course.

Under review: A rating and/or financial forecasts and/or target price is at the moment under revision of an analyst and the previous rating and/or financial forecasts and/or target price should not be relied on.
Not rated: We do not issue company-specific recommendations and we do not plan to issue them in the foreseeable future.

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P/E – „Price/Earnings" is the ratio of the financial instrument price to the net financial result for the issuer of the financial instrument.
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