Grupa Makarony Polskie

Santander Biuro Maklerskie

Support program for analytical coverage – initiation

Bloomberg: MAK PW, Reuters: MAKf.WA

CEE Equity Research

Industrials, Poland

September 12, 2025, 17:05 CET

Another leap forward in business possible

Recommendation: Outperform, Dec’26 TP: PLN40.0

We are initiating coverage of Makarony Polskie SA with an Outperform recommendation and a Dec'26 TP of PLN 40.0. We perceive the group's bargaining position as relatively strong due to its know-how and broad product portfolio. The current standards of contracts with retail chains (a duration of ca. 3-6 months) seem to offer relative comfort in conducting operations. We perceive the domestic food market as mature. We expect it to converge towards the characteristics observed in Western EU countries, i.e. we see potential for growth in the market share of discounters and private label products. In the view of the plans for group’s further organic business growth, we expect that at the turn of 2027/28E Makarony Polskie may be able to enjoy significantly higher revenues. It is worth keeping in mind the potential for market consolidation (horizontal one in particular). Importantly, the potential for dividend payments should remain unthreatened thanks to the high FCF generation, we estimate. We perceive the comparative valuation ratios as very attractive and see room for their expansion.

Investment profile. Makarony Polskie is primarily associated with its range of pasta products. At the same time, however, the group also operates in the meat & vegetable and fruit & vegetable preserves segment. The former line seems particularly promising in the area of ready meals for the dry shelf. In the key pasta line, most products are sold as private labels for leading retail chains (discount stores and supermarkets). We perceive the group's bargaining position as relatively strong, given its know-how and broad product portfolio. On the price management side (determining business risks), a positive recent change has been recently the shortening of the contracting period (price and volume declaration) from the previously dominant annual periods to the current ca. 3-6 month periods.

Group is in the process of implementation of its growth strategy. The pasta market in Poland appears to be mature, both in terms of consumption and the market share of other players. We estimate its size at approx. 220 tonnes per year, with Makarony Polskie Group's share at +/- 20%. In order to defend/fight for market share, the group plans to invest a total of approx. PLN60mn in the short term in the development of production in Korpele and Stoczek Łukowski production sites. The investments are to be focused on the development of premium products with higher added value. We assume that the ongoing investment processes should be completed in mid-2026E, and the full impact on revenues may be visible from the turn of 2027/28E. In the longer term, we expect consolidation to continue among producers and the share of discounters to grow. However, potential M&A projects are not included in our valuation model due to their highly optional nature.

Stable macroeconomic situation in the medium term. In the medium term, we forecast further gradual stabilisation of raw material prices after the inflationary shock seen in recent years. We note that the EU-Mercosur agreement should support this thesis, especially in the ready-made meals segment. The expected domestic wage growth and consumer sentiment seem supportive. In the long term, we identify demographic trends as the main challenges, which is reflected in our estimates of the residual value of the Makarony Polskie Group.

Private label segment. According to PLMA data, in 2024 the share of private labels reached approx. 24% of expenditure in Poland. The y/y growth rate of expenditure on these products was +7%, which is linked, among other things, to the development of the discounts sales format. This is one of the lowest levels among European countries (the corresponding figure for Spain is nearly 46% and for Germany approx. 41%). In the long term, this dichotomy may translate into the convergence of the Polish market with developed economies, which may work to the advantage of the Makarony Polskie Group.

Risks and opportunities. Among the main factors that may affect the group's position/results, we see: (1) the risk of changing consumer preferences, (2) the risk of losing consumer confidence in the product/brand, (3) an unstable macro environment, and (4) structural market changes affecting retail chains. In the long term, (5) demographic issues may also pose a challenge.

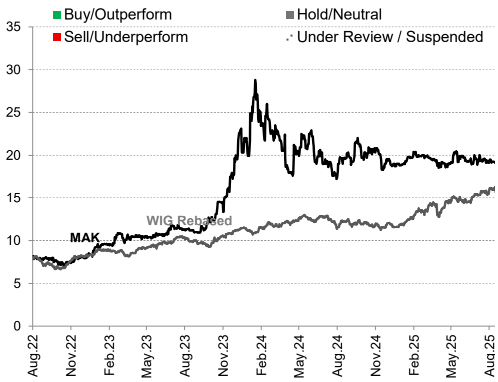
Valuation and recommendation. The weighted average valuation using the DCF, CV and TMV methods implies a target price (for December 2026) of PLN 40.0 per share, which implies 109% upside potential. As a result, our recommendation is Outperform.

Financial summary (year to Dec)

PLNmn	2022	2023	2024	2025E	2026E	2027E
Revenues	329	355	303	297	317	364
EBITDA	44	58	56	53	54	61
EBIT	35	44	41	38	38	45
Net profit	26	33	33	31	32	40
P/E (x)	3.7	4.5	7.0	6.8	6.7	5.2
EV/EBITDA (x)	2.8	2.4	3.5	2.9	2.7	2.0
FCF Yld	-14.4%	14.8%	17.4%	13.9%	7.3%	11.9%
DY	3.4%	4.4%	3.5%	4.0%	3.7%	3.8%

Source: Company, Notoria, Santander Brokerage Poland estimates

Recommendation	Outperform
Dec’26 Target Price	PLN40.0
Price (PLN, Sep 11, 2025)	19.1
Market cap. (PLNmn)	211
Free float (%)	27
Number of shares (mn)	11.0



The chart measures performance against the WIG index.

Main shareholders	% of votes
Praska Giełda Spożywcza. p. Zenon Daniłowski. Polskie Smaki Sp. z o.o.	32.99%
Raya Holding for Technology & Communications S.A.E.. Madova Sp. z o.o.	29.48%
Fundacja Rodzinna Słomkowscy w organizacji	10.60%

Source: gpw.pl

Company description

Makarony Polskie is one of the entities consolidating the pasta producers market in Poland. The group boasts many years of experience and extensive know-how. Its production facilities are located in Rzeszów, Częstochowa and Korpele

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Investment summary

Fig. 1. Grupa Makarony Polskie: operational and financial indicators summary

	2021	2022	2023	2024	2025E	2026E	2027E
REVENUES (PLNmn)	170	329	355	303	297	317	364
Revenues YoY (%)	-9.4%	93.9%	7.9%	-14.5%	-2.0%	6.6%	14.7%
Domestic revenues (PLNmn)	153	298	334	282	277	294	336
Export revenues (PLNmn)	17	31	21	21	20	23	28
Export share in total revenues (%)	9.8%	9.3%	5.8%	6.9%	6.9%	7.2%	7.7%
P&L ACCOUNT ITEMS (PLNmn; %)							
Gross profit	8	9	14	15	15	15	16
Gross profit margin	*18%*	*22%*	*28%*	*29%*	*28%*	*28%*	*29%*
EBITDA	17	44	58	56	53	54	61
EBITDA margin	*10%*	*13%*	*16%*	*19%*	*18%*	*17%*	*17%*
EBIT	9	35	44	41	38	38	45
EBIT margin	*5%*	*11%*	*12%*	*14%*	*13%*	*12%*	*12%*
Net profit	7	26	33	33	31	32	40
Net profit margin	*4%*	*8%*	*9%*	*11%*	*10%*	*10%*	*11%*
SG&A	27	38	45	46	46	49	59
% of revenues	16%	12%	13%	15%	15%	15%	16%
Selling costs	20	28	34	34	34	36	43
% of revenues	12%	9%	10%	11%	4%	4%	4%
General management cots	6	10	11	12	12	13	15
% of revenues	4%	3%	3%	4%	4%	4%	4%
BALANCE SHEET ITEMS (PLNmn)							
Cash & equivalents	26	8	29	53	74	82	99
Total assets	205	239	238	254	273	297	334
Total bank debt	37	27	12	9	8	7	6
Total equity	102	123	149	174	196	220	253
CF STATEMENT ITEMS (PLNmn)							
Net operating CF	17	17	51	52	44	41	46
CF investing	-8	-20	-10	-11	-13	-24	-20
CF financing	17	-15	-20	-16	-10	-9	-9
LEVERAGE AND SOLVENCY							
Net debt (PLNmn)	16	24	-10	-37	-59	-68	-87
Net debt/EBITDA (x)	0.9	0.6	-0.2	-0.7	-1.1	-1.3	-1.4
Net debt/(ND+Equity) (x)	0.1	0.2	-0.1	-0.3	-0.4	-0.5	-0.5
PERFORMANCE & RETURN							
EBIT YoY (%)	-17%	299%	28%	-7%	-7%	0%	17%
NET PROFIT YoY	-10%	305%	27%	0%	-7%	3%	27%
ROA (%)	3%	11%	14%	13%	11%	11%	12%
ROE (%)	7%	24%	25%	21%	17%	15%	17%
ROIC (%)	6%	19%	25%	24%	23%	21%	24%
ROCE (%)	6%	21%	24%	20%	17%	16%	16%
DPS (PLN)	0.25	0.30	0.60	0.75	0.75	0.70	0.72
DY (%)	4%	3%	4%	4%	4%	4%	4%
FCFE yield (%)	24%	-14%	15%	17%	14%	7%	12%
EPS (PLN)	0.6	2.4	3.0	3.0	2.8	2.9	3.7
BVPS (PLN)	9.2	11.1	13.5	15.7	17.8	19.9	22.9
VALUATION MULTIPLES							
P/E (x)	10.8	3.2	3.7	5.8	7.2	6.7	5.2
EV/EBITDA (x)	4.2	2.5	2.0	2.8	3.1	2.7	2.0
P/BV (x)	0.8	0.8	1.0	1.3	1.1	1.0	0.8
EV/REVENUES (x)	0.4	0.4	0.4	0.7	0.5	0.4	0.3

Source: Company data, Notoria, Santander Brokerage Poland estimates

Valuation

DCF Valuation

Fig. 2. WACC calculation*

Risk free rate	5.0%
Unlevered beta	1.0
Levered beta	1.0
Equity risk premium	6.0%
Cost of equity	**11.1%**
Risk free rate (10-year Polish T-bond yield)	5.0%
Debt risk premium	1.5%
Tax rate	19%
After tax cost of Debt	**5.3%**
%D	2%
%E	98%
WACC	**11.0%**

*Source: Santander Brokerage Poland estimates, *terminal rate*

Fig. 3. Forecast change summary

PLNmn	2025E			2026E			2027E		
	New	Previous	Change	New	Previous	Change	New	Previous	Change
Revenues	297	N/A	*N/A*	317	*N/A*	*N/A*	364	N/A	*N/A*
EBITDA	53	N/A	*N/A*	54	*N/A*	*N/A*	61	N/A	*N/A*
EBIT	38	N/A	*N/A*	38	*N/A*	*N/A*	45	N/A	*N/A*
Net profit	31	N/A	*N/A*	32	*N/A*	*N/A*	40	N/A	*N/A*

Source: Santander Brokerage Poland estimates

Fig. 4. DCF model

	2025E	2026E	2027E	2028E	2029E	2030E
Net sales	**297**	**317**	**364**	**402**	**418**	**429**
EBIT	38	38	45	52	53	51
Cash taxes on EBIT	-7	-7	-5	-5	-6	-10
NOPAT	**31**	**32**	**40**	**47**	**47**	**41**
Depreciation	15	15	16	16	16	17
Change in operating WC	2	6	10	5	2	1
Capital expenditure	15	24	20	15	16	16
FCF	**29**	**17**	**27**	**43**	**45**	**41**
WACC	12.0%	11.0%	11.0%	11.0%	11.0%	11.0%
PV FCF	26	14	19	28	27	22
PV FCF 2025-30E	136					
Terminal growth	0.5%					
Terminal Value (TV)	384					
PV TV	205					
Total EV	**341**					
Net debt (-)	-36.6					
Equity value (PLN; BOP)	**378**					
Number of shares (mn)	11.0					
Equity value per share (PLN)	**34.2**					
Dividend per share (PLN)	0.75					
Current Value per share (PLN)	**38.3**					
Dec'26 Target Price (PLN)	**41.7**					

Source: Santander Brokerage Poland estimates

Comparative valuation

Fig. 5. Comparative valuation – peers' multiples

Spółka	Cena	Waluta	Kapitalizacja (EURm)	P/E 2025E	P/E 2026E	P/E 2027E	EV/EBITDA 2025E	EV/EBITDA 2026E	EV/EBITDA 2027E
Makarony Polskie SA	**19.1**	**PLN**	**49**	**6.8**	**6.6**	**5.2**	**2.8**	**2.7**	**2.0**
Polish peers									
Grupa Kety SA	924.0	PLN	2,132	15.6	13.4	12.0	10.0	8.9	8.2
Fabryki Mebli Forte SA	28.8	PLN	162	9.4	13.3	9.7	6.0	7.6	6.4
Amica SA	54.0	PLN	99	-630.4	8.5	6.2	4.4	3.3	3.0
Tarczynski SA	128.5	PLN	343	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sniezka SA	78.6	PLN	233	14.3	12.7	10.9	8.6	7.8	7.1
Median				**11.8**	**13.0**	**10.3**	**7.3**	**7.7**	**6.7**
Europe-based peers									
Ebro Foods SA	18.2	EUR	2,803	13.6	13.0	12.6	7.4	7.2	7.0
NewPrinces SpA	25.1	EUR	1,101	20.4	14.4	12.0	7.1	6.1	5.6
Podravka Prehrambena Ind DD	151.0	EUR	1,075	13.9	13.7	12.7	9.6	9.9	9.4
Median				**13.9**	**13.7**	**12.6**	**7.4**	**7.2**	**7.0**
Other									
Armanino Foods of Distinction Inc	9.7	USD	265	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
General Mills Inc	50.6	USD	23,056	13.9	13.3	12.5	12.2	11.9	11.6
Conagra Brands Inc	19.4	USD	7,935	10.9	10.3	9.4	10.1	9.6	9.2
Nissin Foods Holdings Co Ltd	2835.0	JPY	4,888	15.3	14.2	13.2	8.5	8.0	7.7
Uni-President China Holdings Ltd	8.8	HKD	4,144	15.0	13.7	12.6	8.3	7.7	7.1
The Campbell's Company	33.8	USD	8,575	11.5	13.0	12.3	8.8	9.5	9.3
Median				**13.9**	**13.3**	**12.5**	**8.8**	**9.5**	**9.2**
Polska: premia/dyskonto vs. mediana				*-42.4%*	*-49.0%*	*-49.4%*	*-60.9%*	*-65.7%*	*-69.7%*
Europa: premia/dyskonto vs. mediana				*-50.8%*	*-51.6%*	*-58.4%*	*-61.5%*	*-63.1%*	*-70.9%*
Pozostałe geografie: premia/dyskonto vs. mediana				*-51.1%*	*-50.9%*	*-50.0%*	*-58.1%*	*-67.6%*	*-72.1%*

Source: Bloomberg, Santander Brokerage Poland estimates

Fig. 6. Peers valuation: implied share prices (PLN)

	P/E 2025E-27E	EV/EBITDA 2025E-27E	Average
Domestic peers	36.1	36.5	36.3
Europe peers	41.4	42.8	42.1
Other peers	40.9	46.3	43.6
Per share value*	**39.2**	**41.0**	**40.1**

*Source: Santander Brokerage Poland estimates, *50% domestic peers / 50% foreign peers*

Fig. 7. TMV valuation: implied share prices (PLN)

PLN	2025E	2026E	2027E	Średnia
Target EV/EBITDA (x)	3.5	4.2	5.1	4.3
EBITDA	53	54	61	
EV	188	227	309	
Net debt	-59	-68	-87	
Mcap	247	296	396	
Implied valuation per share	**22.4**	**26.8**	**35.9**	**28.3**
Target P/E (x)	7.1	8.5	10.2	8.6
Net profit	31	32	40	
Mcap	219	270	413	
Implied valuation per share	**19.9**	**24.5**	**37.4**	**27.2**
Weights				
EV/EBITDA	50%			
P/E	50%			
Average	**21.1**	**25.6**	**36.6**	**27.8**

Source: Santander Brokerage Poland estimates

Fig. 8. Per share valuation (PLN)*

	New	Previous	*Change*
DCF valuation	41.7	n.a.	*n.a.*
Comparable valuation (based on 2025-27E)	40.1	n.a.	*n.a.*
TMV (target multiple valuation)	27.8	n.a.	*n.a.*
Weighted average (PLN, Dec'26)*	**40.0**	**n.a.**	***n.a.***

*Source: Santander Brokerage Poland estimates, *DCF: 70%; CV: 20%; TMV: 10%.*

Our DCF-model derived valuation pointing at PLN41.7 per share (a 70% weight), comparative valuation indicating PLN40.1 value per share (a 20% weight) and TMV implying PLN27.8 per share (10% weight), lead us to a Dec'26 TP of PLN40.0.

We assigned more weight to DCF as we consider it as the main tool for long term outlook forecast for the company. The adoption of the comparative method and TMV, in our opinion, allows for reference to current market trends for the selected companies for the purposes of the peer group, as well as to reflect, to some extent, historical factors specific to the Makarony Polskie Group (mainly the TMV method) taken into account by the market in the market valuation.

Risks and opportunities

Factors affecting operating and financial results

Among the key factors, including both growth determinants and major business risks for the Makarony Polskie Group, we highlight the following:

1. **Risk of changes in consumer preferences.** In order to build the best possible offer and respond to market changes, Makarony Polskie gradually develops and optimises its product portfolio. This involves continuous analysis of consumer preferences as well as monitoring social and market trends. In retrospect, it appears that the group successfully followed market trends and adapted to consumer expectations. This particular group of risks also embraces potential changes in consumer purchasing and eating habits.
2. **Development of alternative products.** It cannot be ruled out that with the development of biotechnology, alternative products could gain popularity at some point, threatening the group's sales potential. In our opinion, however, such a scenario is unlikely, given the traditional nature of the products and their relative simplicity in terms of taste and composition.
3. **Risk of loss of consumer confidence in the product/brand.** A potential loss of consumer confidence in the brand and the products offered by the company, or damage to its image, may have a negative impact on operating and, consequently, financial results, due to, among other things, a reduction in cooperation by key trading partners.
4. **Unstable business environment/cost inflation.** The period following the COVID-19 pandemic, further exacerbated by the outbreak of war in Ukraine, has caused a significant increase in food prices both in Europe and worldwide. Previous market practices did not provide for the possibility of renegotiating sales prices outside of contractual, pre-agreed periods. Combined this with relatively low bargaining power, such a mix posed a risk to operating margins in the short/medium term for the manufacturers. Additionally, considering the risks associated with the socio-economic situation, it should be emphasised that rising inflation may reduce consumers' disposable income, triggering rationalisation of their purchasing choices. This, in turn, may reduce demand for the group's products, partly due to the price elasticity of demand.
5. **Structural changes in sales format trends.** A sudden slowdown in the pace of new store openings (in particularly regarding recently developing discount chains) may negatively affect the group's sales volume in the medium term, which in turn may lead to a lower ROE ratio / longer return on investment period due to the negative effect of operating leverage.
6. **Competition risk.** Competition remains a key risk factor that should not be overlooked. However, the group is attempting to consolidate the market to some extent, which may strengthen its market position.
7. **Risk related to planned capital investments/inefficient capital allocation.** In the medium term, unsuccessful investments / M&A projects may translate into a deterioration of the group's balance sheet structure and a reduction in its investment potential. All these factors, in an unfavourable scenario, may weaken the company's strategic market position in the long term.

Quarterly results corner

Fig. 9. 2Q25 results review / 3Q25E results preview (1/2)

PLNmn	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25E	y/y	q/q
Sales	81.3	71.1	74.1	76.8	75.7	73.1	3%	-4%	73.1
EBITDA	15.7	14.4	13.9	12.5	13.1	12.8	-12%	-3%	12.8
EBITDA margin	*19.4%*	*20.3%*	*18.7%*	*16.3%*	*17.3%*	*17.5%*	*-281.6*	*18.2*	*17.5%*
EBIT	12.0	10.7	10.1	8.6	9.2	8.8	-18%	-4%	8.8
EBIT margin	*14.8%*	*15.0%*	*13.6%*	*11.3%*	*12.1%*	*12.0%*	*-297.8*	*-10.3*	*12.0%*
Net profit	9.5	8.7	8.2	7.3	7.6	6.4	-26%	-16%	6.4
Net margin	*11.6%*	*12.2%*	*11.1%*	*9.6%*	*10.1%*	*8.8%*	*-337.2*	*-126.9*	*8.8%*
OCF	16.7	8.5	9.3	14.1	1.3	7.5	-12%	495%	7.5
Net debt	-21	-27	-26	-37	-33	-36	31%	7%	-36
Net debt / LTM EBITDA	-0.4	-0.5	-0.5	-0.6	-0.6	-0.9	-0.5	-0.3	-0.9
Sales costs	13.3	9.4	11.3	11.8	11.8	11.7	25%	-1%	11.7
% revenues	16.3%	13.2%	15.2%	15.4%	15.5%	16.0%	*2.8*	*0.5*	16.0%

Source: Company data, Santander Brokerage Poland estimates

Fig. 10. 2Q25 results review / 3Q25E results preview (2/2)

PLNmn	1Q25	2Q25	3Q25E	y/y	q/q	FY21	FY22	FY23	FY24	LTM
Sales	75.7	73.1	3%	-4%	170	329	355	303	300	75.7
EBITDA	13.1	12.8	-12%	-3%	17	42	58	57	52	13.1
EBITDA margin	*17.3%*	*17.5%*	*-281.6*	*18.2*	*9.8%*	*12.9%*	*16.3%*	*18.6%*	*17.4%*	*17.3%*
EBIT	9.2	8.8	-18%	-4%	9	33	44	41	37	9.2
EBIT margin	*12.1%*	*12.0%*	*-297.8*	*-10.3*	*5.0%*	*10.1%*	*12.3%*	*13.7%*	*12.2%*	*12.1%*
Net profit	7.6	6.4	-26%	-16%	6	24	33	34	30	7.6
Net margin	*10.1%*	*8.8%*	*-337.2*	*-126.9*	*3.8%*	*7.4%*	*9.3%*	*11.1%*	*9.9%*	*10.1%*
OCF	1.3	7.5	-12%	495%	13	22	53	49	32	1.3
Net debt	-33	-36	31%	7%	34	16	-10	-37	-36	-33
Net debt / LTM EBITDA	-0.6	-0.9	-0.5	-0.3	1.8	1.0	-0.2	-0.6	-0.9	-0.6
Sales costs	11.8	11.7	25%	-1%	26.6	38.2	45.1	45.7	46.6	11.8
% revenues	15.5%	16.0%	*2.8*	*0.5*	15.7%	11.6%	12.7%	15.1%	15.5%	15.5%

Source: Company data, Santander Brokerage Poland estimates

Financial forecasts

Fig. 11. Income statement

	2022	2023	2024	2025E	2026E	2027E	2028E
Net sales	329	355	303	297	317	364	402
COGS	256	257	216	213	230	260	284
Gross profit	73	98	87	84	87	104	117
SG&A	38	45	46	46	49	59	65
Other operating income, net	0	-8	0	0	0	0	0
EBITDA	44	58	56	53	54	61	68
Operating profit	35	44	41	38	38	45	52
Net financial income (costs)	-2	-2	0	0	0	0	0
Profit before tax	32	43	41	38	38	45	52
Income tax	-6	-9	-8	-7	-7	-5	-5
Net profit	26	33	33	31	32	40	47
Gross margin	22.3%	27.6%	28.7%	28.4%	27.6%	28.5%	29.2%
EBITDA margin	13.3%	16.5%	18.6%	17.9%	16.9%	16.7%	17.0%
Operating margin	10.6%	12.5%	13.6%	12.9%	12.1%	12.4%	13.0%
Net profit margin	8.0%	9.4%	11.0%	10.4%	10.0%	11.1%	11.7%

Source: Company data, Notoria, Santander Brokerage Poland estimates

Fig. 12. Balance sheet

PLNmn	2022	2023	2024	2025E	2026E	2027E	2028E
Current assets	95	102	121	141	157	189	225
Fixed assets	144	136	128	127	136	140	139
Total assets	239	238	254	273	297	334	370
Current liabilities	75	53	52	49	50	56	59
bank debt	14	3	3	3	2	2	2
Long-term liabilities	42	35	28	27	26	25	25
bank debt	13	9	6	5	5	4	4
Equity	123	149	174	196	220	253	285
Total liabilities	239	238	254	273	297	334	370
Net debt	24	-10	-37	-59	-68	-87	-115
Net debt / EBITDA	0.6	-0.2	-0.7	-1.1	-1.3	-1.4	-1.7

Source: Company data, Notoria, Santander Brokerage Poland estimates

Fig. 13. Cash flow statement

	2022	2023	2024	2025E	2026E	2027E	2028E
CF from operations	17	51	52	44	41	46	58
CF from investment	-20	-10	-11	-13	-24	-20	-15
CF from financing	-15	-20	-16	-10	-9	-9	-15
dividends	-3	-7	-8	-8	-8	-8	-14
Net change in cash	-18	21	24	21	8	17	27

Source: Notoria, Santander Brokerage Poland estimates

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The comparative valuation method is based on the economic rule of "one price". Some advantages of the comparative valuation method are that the analyst need only estimate a small number of parameters; the valuation is based on current market conditions; the relatively large accessibility of indicators for companies being compared; and that there is an extensive knowledge of the comparative method among investors. Some disadvantages of valuation by the comparative method are the considerable sensitivity of the results of the valuation on the choice of companies to the comparative group; the method can lead to a simplification of the picture of the company which in turn can lead to omitting certain important factors (e.g. growth dynamics, extra-operational assets, corporate governance, the repeatability of results, differences in applied accounting standards); and the uncertainty of the effectiveness of a market valuation of companies being compared.
The mid-cycle multiple valuation is based on long-term average valuation multiples of a sector or a peer group. The methodology aims to calculate a fair, through the cycle value of the company. Among its shortfalls is that at peaks and/or troughs of the cycle, the implied fair value may deviate substantially from the market's value of an analysed stock as well as the methods' reliance on the quality of external data (we usually use Bloomberg or Damodaran databases). Simplicity and average through-cycle value allowing to capture over- as well as under-valuation of a given stock are the main advantages of this methodology.
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Residual income method is conceptually close to the discounted cash flows method (DCF) for non-financial stocks, the difference being that it is based on expected residual income (returns over COE) rather than expected future cash flows. One advantage of this valuation method is that it captures the excess of profit potentially available to shareholders and the cost of money over time. Main disadvantage of the valuation method is that a large number of parameters and assumptions need to be estimated; and the valuation is sensitive to changes in those parameters.
The warranted equity method (WEV) is based on the formula P/BV = (two year forward ROE less sustainable growth rate)/(Cost of equity less sustainable growth rate) which allows estimating a fair value (FV) of a given stock in two years' time. Subsequently the FV is discounted back to today. The main advantage of the WEV method is that it is a transparent one and based on relatively short term forecasts, hence substantially reducing the margin of forecasting error. The main disadvantage in our view is that the model is based on the principle that stock price should converge towards its fair value implied by company's ROE and COE.
SOTP valuation - different assets of a company are being valued according to different valuation methods, and the sum of these valuations represents the final valuation of the company. SOTP valuation advantages / disadvantages are identical to advantages and disadvantages of the specific valuation methods used.
Liquidation value method – liquidation value is the estimated amount of money that an asset or company could be quickly sold for, such as if it were to go out of business. Then, the estimated assets value is adjusted for liabilities and liquidation expenses. One advantage of this valuation method is its simplicity. This method does not account for intangible assets as goodwill, which is the main disadvantage.

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