

ZE PAK

(BUY, TP 32.0 PLN)

2Q'25 EBITDA below our estimates and consensus, rising CCGT project cost risk and management flagging going-concern uncertainty**Andrzej Kędzierski**
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ZE PAK reported 2Q'25 financial results with the following highlights:

- **Revenues:** PLN 335mn (-36% y/y), +15% vs. our estimates and +18% vs. consensus.
- **EBITDA: PLN -24mn (vs. PLN +93mn in 2Q'24), below our estimate (PLN 3mn) and consensus (PLN -1mn).** PAK-PCE contributed PLN +0.4mn.
- **Generation segment:** EBITDA PLN -50mn (vs. PLN -15mn in 2Q'24). Power output +19% y/y but -10% q/q. Capacity market revenues reached PLN 14mn.
- **Mining segment:** EBITDA PLN +24mn (-67% y/y). Coal consumption +8% y/y, -18% q/q.
- **EBIT:** PLN -47mn (vs. PLN +89mn in 2Q'24). Results negatively impacted by PLN 10.2mn increase in land reclamation provisions and PLN 7.3mn in donations.
- **Net loss: PLN -66mn vs. our forecast of PLN -14mn and consensus of PLN -14mn.** In addition to standard provision discounting (PLN -6.5mn), results were dragged by negative financial items, mainly a PLN -14.9mn investment revaluation.
- **Net debt:** PLN 9mn (vs. net cash PLN 384mn in 1Q'25). Including CO2 allowance provisions, reclamation, and decommissioning, economic net debt rose to PLN 849mn (vs. PLN 368mn in 1Q'25).
- **CAPEX: PLN 360mn (-1% y/y),** sharply higher vs. PLN 187mn in 1Q'25.
- **CCGT project:** Progress at 65.3% (vs. 49.6% in 1Q'25), commissioning expected in 3Q'27. Remaining capex estimated at PLN 1.98bn. A bank consortium has been selected; financing expected by turn of 2025/26, including refinancing of already incurred costs.
- **Going concern risk:** Management flagged that securing debt financing is necessary to maintain liquidity over the next 12 months, creating uncertainty over going-concern status. Mitigation measures include: (i) suspension of CCGT capex, (ii) bridge financing talks with bank, and (iii) potential divestment of non-core assets.

Our view: NEGATIVE

Results came in well below both our expectations and consensus, although one-offs had a material impact. Adjusting EBITDA for other operating activity (PLN -15.5mn), underlying EBITDA would amount to PLN -9mn, while net loss adjusted for investment revaluation and FX effects would equal PLN -38mn. These figures still fall short of our estimates, mainly due to a lower realized generation spread (PLN 200/MWh vs. our PLN 230/MWh assumption) and weaker generation volumes (0.37 TWh vs. 0.41 TWh assumed).

More importantly, the gas project appears increasingly costly. Management now points to c. PLN 2.0bn of remaining capex at end-2Q'25 (however, this figure is puzzling given the reported stage of project progress) vs. our PLN 1.4bn assumption. As a result, we see risk that total project cost could approach PLN 3.0bn (vs. our PLN 2.6bn), particularly given that spending has been suspended due to lack of funds, raising the risk of delays. If such a scenario were to materialize, it would have a materially negative impact on our valuation of the gas project.

We also highlight management's reference to going-concern uncertainty, which we view negatively. This may partly stem from the fact that current bridge financing could be callable earlier. Closing of project financing continues to drag on, with management now referring to potential finalization only in 2026. In the case of non-core asset disposals, the most straightforward option would likely be selling another stake in PAK-PCE to Cyfrowy Polsat, or alternatively divesting the 500 MW wind farm project. However, either solution would provide



only temporary relief to the liquidity problem. **The risk was known, but it had not been emphasized by management to this extent before.**

On a more positive note, the recent successful PLN 1bn financing of the Drzeżewo wind farm demonstrates that ownership concerns are not a deal breaker for banks, improving prospects for the gas project. Similarly, ENEA's recent gas project financing supports our view that securing funding should be matter of "when," not "if." **Even if financing were secured, the risk of rising costs could overshadow the project's positive outlook.**

ZE PAK: 2Q'25 financial results, PLNmn (unless stated otherwise)

P&L (PLNmn)	1Q'24	2Q'24	3Q'24	4Q'24	1Q'25	2Q'25	Y/Y	Q/Q	Pekao	vs. Pekao	Cons.	vs. Cons.	2024	2025e
Revenues	520	522	521	623	309	335	-36%	8%	292	15%	285	18%	2,185	1,246
EBITDA	27	93	33	129	-5	-24	na	333%	3	na	-1	>100%	282	83
Generation	-91	-15	-11	138	-32	-50	233%	58%	-18	177%			22	11
Mining	124	72	22	-28	37	24	-67%	-35%	28	-15%			191	57
Other	-7	36	22	18	-11	2	-93%	-123%	-7	-136%			69	15
EBIT	23	89	30	122	-9	-47	na	396%	-1	>100%	-5	>100%	265	67
Financials	-15	1	-4	-6	-4	-15	na	286%	-13	17%			-23	-38
Tax	-13	20	8	7	0	-4	-121%	734%	0	na			21	-12
Net income	-5	110	33	124	-14	-66	-160%	377%	-14	>100%	-14	>100%	263	18
<i>EBITDA margin</i>	5%	18%	6%	21%	-2%	-7%			1%		0%		13%	7%
<i>EBIT margin</i>	4%	17%	6%	20%	-3%	-14%			0%		-2%		12%	5%
<i>Net income margin</i>	-1%	21%	6%	20%	-4%	-20%			-5%		-5%		12%	1%
P/E	0.9x	1.0x	1.3x	2.6x	3.6x	15.7x							2.6x	67.6x
EV/EBITDA	0.3x	0.5x	0.6x	0.9x	2.5x	9.2x							0.9x	20.5x
CF (PLNmn)														
OCF	104	252	92	31	96	-9	-103%	-109%	-33	-74%			480	-70
% of EBITDA	389%	271%	278%	24%	-1771%	36%							170%	-84%
CAPEX	-3	-365	-25	-89	-187	-360	-1%	93%	-205	76%			-482	-852
FCF	101	-113	68	-57	-90	-368	226%	308%	-238	55%			-2	-922
Debt (PLNmn)														
Net debt	-643	-464	-532	-472	-384	7	-102%	-102%	-134	-105%			-472	481
Net debt adjusted*	157	459	537	129	368	849	85%	131%		na			129	831
ND / EBITDA	-0.6x	-0.5x	-0.9x	-1.7x	-1.5x	0.0x	-107%	-102%	-0.8x	-104%			-1.7x	5.8x
KPIs														
Generation														
Volume of generated power (TWh)	0.27	0.31	0.39	0.46	0.41	0.37	19%	-10%	0.41	-10%				
Volume of traded power (TWh)	0.23	0.19	0.12	0.08	0.05	0.13	-32%	160%	0.05	174%				
Realized price of power (PLN/MWh)	696	731	722	836	597	555	-24%	-7%	581	-4%				
CO2 emission (mnt)	0.35	0.40	0.50	0.60	0.49	0.40	0%	-18%	0.50	-21%				
Realized CO2 price (PLN/t)	406	398	381	288	275	329	-17%	20%	285	15%				
CO2 cost per MWh	526	514	493	373	328	356	-31%	8%	351	1%				
Emission factor (t/MWh)	1.30	1.29	1.30	1.29	1.20	1.08	-16%	-10%	1.23	-12%				
Spread (power price-CO2, PLN/MWh)	169	217	228	464	269	200	-8%	-26%	230	-13%				
Mining														
Coal consumption (mnt)	0.36	0.39	0.53	0.62	0.51	0.42	8%	-18%	0.50	-17%				
Implied extraction cost (PLN/t)	263	312	246	212	168	180	-42%	7%	160	12%				
Implied revenues per t (PLN/t)	586	455	279	147	233	292	-36%	25%	216	35%				

*Includes net CO2 allowances provisions, land reclamation provisions and provision for reclamation of ash sites and decommissioning costs of fixed assets.

Source: Company, Pekao Equity Research

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