

ML System

Slower-than-expected start to new product sales

We update our assumptions for ML System. After Covid-driven delays, the company finally plans to launch the production of its new products, i.e. Quantum Glass and 2D Glass. All required machinery was installed late last year and after fine-tuning, it is ready to operate this year although we do not expect any major sales to occur in 1Q22. Now we expect only 20,000 square meters of sales of the new products in 2022 versus 80,000 sqm initially assumed. Altogether we expect around PLN 15.5m in revenues from these two new products in 2022, which is significantly less than we had initially estimated, i.e. PLN 70m in sales in 2022 in our previous forecast. All in all we expect sales in 2022 to grow by 14.5% y/y, a slower growth rate compared to 48.3% y/y recorded in 2021 due to adverse changes to solar panel subsidies in Poland kicking in during this year. In 2023 we expect 48,000 square meters of sales of Quantum Glass (15,000 sqm), 2D Glass (15,000 sqm) and Active Glass (18,000 sqm). Active Glass is the last line of products with production to be implemented by 2023. All in all, we expect the firm to post EBITDA of PLN 37.7m (up 54.6% y/y) in 2022E, PLN 62.0m (up 64.7% y/y) in 2023E and PLN 90.6m (up 46.0% y/y) in 2024E, with the upward trajectory stemming from a rising backlog, and production coming from Quantum, 2D and Active Glass product lines all supported by subsidies. On the back of a slower start to new product sales and risk-free rate assumptions, we cut our FV by 28.4% to PLN 90.94 and maintain our BUY recommendation.

BIPV solutions to weigh more in earnings: The company remains a market leader in building integrated photovoltaics not only in Poland but also throughout Europe. In 2021 ML system managed to sign several large contracts for BIPV implementation, among others with Budimex (Warsaw West railway station), with the Polish Ministry of Culture (Przemysl musical school modernisation), contracts in Olawa in southwest Poland, but also some export contracts in Malmo, Sweden (public library) and a public administration building in Orebro, Sweden. The company's revenue structure significantly changed on a y/y basis in 2021. In 2021 its contract services revenues increased to 60% of total revenues from 30% in 2020. This comes at the expense of revenues coming from simple sales of photovoltaics panels.

Glass for automotive as a long-haul : It is possible to use active glass with a quantum coating in the automotive industry, where the company is already carrying out its first orders based on passive glass, but implementation in this sector is a perspective of the next several years. ML System has recently launched a research project together with Pilkington in this regard. At the end of the research project, which is planned in two years, the company will have the technology at its disposal and only then can the planned investment project be launched.

Figure 1. ML System financial data, (PLN m)

	2018	2019	2020	2021	2022E	2023E
Revenue	123.3	93.4	127.3	188.8	216.3	265.1
EBIT	7.2	5.1	11.5	4.4	11.3	38.6
EBITDA	14.6	14.0	22.1	24.4	37.7	62.0
Net profit	5.7	3.5	10.2	1.7	7.9	29.5
EPS	1.1	0.6	1.7	0.3	1.2	4.5
DPS	0.0	0.0	0.0	0.0	0.0	0.0
P/E (x)	65.9	119.8	42.9	257.5	60.4	16.2
EV/EBITDA (x)	26.4	31.9	21.4	21.2	16.4	9.5

Source: Company, IPOPEMA Research

Construction

ML System

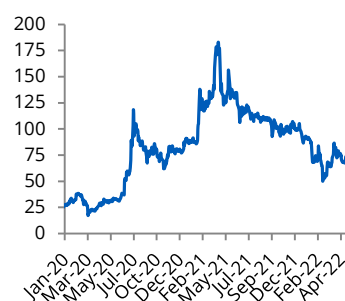
BUY

FV PLN 90.94

23.7% upside

Price as of 05 May 2022 PLN 73.50

Recommendation maintained



Share data

Number of shares (m)	6.5
Market cap (EUR m)	105.7
12M avg daily volume (k)	15.6
12M avg daily turnover (EUR m)	0.3
12M high/low (PLN)	172.6/48.1
WIG weight (%)	0.05
Reuters	MLSP.WA
Bloomberg	MLS PW

Total performance

1M	-9.71%
3M	+6.52%
12M	-41.20%

Shareholders

Dawid Cycoń	31.11%
Edyta Stanek	30.84%
Rockbridge TFI	5.17%

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ML SYSTEM

BUY

FV PLN 90.94

Mkt Cap EUR 105.7m

Upside/downside +23.7%

Valuation multiples	2019	2020	2021	2022E	2023E
P/E (x)	119.8	42.9	257.5	60.4	16.2
EV/EBITDA (x)	31.9	21.4	21.2	16.4	9.5
EV/Sales (x)	4.80	3.72	2.74	2.86	2.23
P/BV (x)	5.37	3.02	3.07	3.09	2.60
FCF yield (%)	3%	-1%	13%	16%	22%
DY (%)	0%	0%	0%	0%	0%

Per share	2019	2020	2021	2022E	2023E
No. of shares (m units)	5.7	5.9	6.1	6.5	6.5
EPS (PLN)	0.61	1.72	0.29	1.22	4.55
BVPS (PLN)	13.69	24.33	23.90	23.77	28.31
FCFPS (PLN)	2.51	-1.09	9.30	11.75	15.80
DPS (PLN)	0.00	0.00	0.00	0.00	0.00

Change y/y (%)	2019	2020	2021	2022E	2023E
Revenues	-24.3%	36.3%	48.3%	14.5%	22.6%
EBITDA	-3.6%	57.7%	10.1%	54.6%	64.6%
EBIT	-29.0%	125.6%	-61.8%	155.7%	242.4%
Pre-tax	-38.2%	191.9%	-69.1%	176.3%	273.6%
Net profit	-38.7%	193.7%	-82.8%	352.1%	273.6%

Leverage and return	2019	2020	2021	2022E	2023E
Gross margin (%)	12.8%	24.1%	14.1%	22.6%	26.9%
EBITDA margin (%)	15.0%	17.4%	12.9%	17.4%	23.4%
EBIT margin (%)	5.5%	9.1%	2.3%	5.2%	14.6%
Net margin (%)	3.7%	8.0%	0.9%	3.6%	11.1%
Net debt / EBITDA (x)	2.36	1.72	2.80	3.77	1.87
Net debt / Equity (x)	0.43	0.26	0.47	0.92	0.63
Leverage Ratio (x)	0.42	0.37	0.37	0.47	0.46
ROE (%)	4.6%	9.2%	1.2%	5.3%	17.5%
ROA (%)	10.7%	24.6%	3.2%	11.3%	37.7%
ROIC (%)	3.1%	5.6%	0.8%	2.7%	9.9%

Assumptions	2019	2020	2021	2022E	2023E
Sales (PLN m)	93.4	127.3	188.8	216.3	265.1
General constr.	19.7	2.0	0.0	2.0	2.1
PV	68.0	123.3	183.4	184.0	196.0
R&D	1.6	0.3	0.0	0.0	0.0
Unallocated	4.1	1.8	5.3	14.8	15.8
Quantum Glass	0.0	0.0	0.0	13.8	22.1
2D Glass	0.0	0.0	0.0	1.6	2.6
Active Glass	0.0	0.0	0.0	0.0	26.5
Poland GDP (%)	4.1%	-2.8%	5.7%	3.8%	3.5%
Poland CPI (%)	2.2%	3.4%	5.1%	9.9%	6.5%
Constr. activity(%)	2.6%	-2.2%	2.8%	1.9%	1.9%
USD PLN (avg)	3.84	3.89	3.86	4.00	4.00
EURPLN (avg)	4.30	4.44	4.56	4.61	4.61

P&L (PLN m)	2019	2020	2021	2022E	2023E	2024E
Revenues	93.4	127.3	188.8	216.3	265.1	422.5
COGS	-81.4	-96.6	-162.2	-167.5	-193.8	-294.1
EBIT	5.1	11.5	4.4	11.3	38.6	65.5
General constr.	1.8	0.7	0.0	0.0	0.3	0.3
PV	6.6	13.1	3.9	0.9	11.8	12.3
R&D	-1.9	-3.7	-4.3	1.4	0.0	0.0
Unallocated	-3.1	1.5	4.9	6.1	15.2	6.0
Quantum Glass	0.0	0.0	0.0	2.8	4.4	7.7
2D Glass	0.0	0.0	0.0	0.2	0.3	0.5
Active Glass	0.0	0.0	0.0	0.0	6.6	38.7
EBITDA	14.0	22.1	24.4	37.7	62.0	90.6
Financial income (cost) net	-1.6	-1.3	-1.2	-2.5	-5.9	-4.3
Pre-tax	3.5	10.3	3.2	8.8	32.8	61.2
Tax	0.0	-0.1	-1.4	-0.9	-3.3	-6.1
Net profit	3.5	10.2	1.7	7.9	29.5	55.1

BALANCE SHEET (PLN m)	2019	2020	2021	2022E	2023E	2024E
Non-current assets	146.1	184.8	247.9	312.2	313.5	315.3
Intangible assets	7.2	11.0	11.8	11.9	11.9	11.9
PP&E	135.2	168.5	213.5	277.7	278.8	279.9
Receivables	0.2	0.5	0.8	0.9	1.1	1.7
Current assets	70.1	118.8	142.3	139.7	177.6	298.4
Inventories	9.6	38.3	57.7	59.6	69.0	104.8
Trade receivables	29.8	40.3	41.7	53.3	65.4	104.2
Cash and equivalents	15.1	20.5	24.7	2.2	13.3	42.2
Other current assets	15.6	19.6	18.2	24.6	29.9	47.2
Total assets	216.2	303.5	390.2	452.0	491.1	613.7
Equity	77.4	144.4	146.2	154.1	183.6	232.8
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	92.7	95.3	146.9	150.8	168.0	232.9
Loans and leasing	32.7	27.7	56.7	57.1	59.3	67.5
Other non-current liabilities	60.0	67.6	90.2	93.6	108.7	165.4
Current liabilities	46.1	63.9	97.1	147.1	139.5	148.0
Trade payables	24.7	25.2	47.3	45.9	53.1	80.6
Loans and leasing	15.6	30.9	36.4	87.0	69.7	41.6
Other current liabilities	5.8	7.8	13.4	14.2	16.8	25.8
Equity & liabilities	216.2	303.5	390.2	452.0	491.1	613.7
Inventories turnover (days)	43.1	144.6	129.8	130.0	130.0	130.0
Receivable turnover (days)	116.3	115.6	80.6	90.0	90.0	90.0
Net debt (PLN m)	33.2	38.0	68.4	142.0	115.7	66.8

CASH FLOW (PLN m)	2019	2020	2021	2022E	2023E	2024E
Operating cash flow	-7.6	-21.9	10.2	17.0	50.7	81.0
Net income	3.5	10.2	1.7	7.9	29.5	55.1
D&A	8.9	10.6	20.0	26.4	23.4	25.1
Change in WC	-2.2	-44.4	-15.0	-21.5	-19.5	-64.3
Other	-17.7	1.7	3.5	4.2	17.4	65.1
Investment cash flow	-38.7	-49.0	-55.4	-90.6	-24.5	-26.2
CAPEX	-38.7	-49.0	-55.4	-90.6	-24.5	-26.2
Dividends received	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
Financial cash flow	46.8	76.3	49.4	51.1	-15.2	-25.8
Change in equity	0.0	56.0	0.1	0.0	0.0	0.0
Change in debt	17.5	9.4	23.0	52.9	-17.6	-28.9
Dividend	-1.1	0.0	0.0	0.0	0.0	-5.9
Other	30.4	10.9	26.3	-1.8	2.4	9.0
Change in cash	0.5	5.4	4.2	-22.6	11.1	29.0
Cash as of eop	15.1	20.5	24.7	2.2	13.3	42.2

Source: Company data, IPOPEMA Research

Changes in forecast

Figure 2. Changes in forecast

	2022			2023			2024		
	OLD	NEW	change	OLD	NEW	change	OLD	NEW	change
Revenues	200.4	216.3	7.9%	250.1	265.1	6.0%	402.2	422.5	5.0%
Costs	-149.0	-167.5	12.4%	-176.8	-193.8	9.6%	-253.9	-294.1	15.8%
EBITDA	53.9	37.7	-30.1%	61.9	62.0	0.2%	105.2	90.6	-13.9%
EBIT	32.2	11.3	-64.9%	38.1	38.6	1.3%	79.7	65.5	-17.8%
Net profit	29.9	7.9	-73.6%	35.7	29.5	-17.5%	77.4	55.1	-28.8%

Source: Company, IPOPEMA Research

Valuation

Our valuation approach for construction companies uses two methods: the discounted cash flow (DCF) and the dividend discount model (DDM). We calculate our Fair Value for ML System by taking the average of the two results. The two methods are aligned, as they are both based on the same financial model. The model assumes cashflow projections over a 10-year period for the firm based on our forecasts for the photovoltaic and construction markets, and GDP in Poland as well as other parameters including volume growth, product mix changes, changes in the financing model, efficiency gains, production cost increases, capital expenditures and working capital needs. Our dividend projections are a derivative of the earnings forecasts in our financial model. Payout levels are determined by corporate policy in the short term (10%) and then drift towards a target payout ratio of 80% in the long-term. The DDM is also a useful tool for understanding P/E multiples [$P/E = (D/E)/(k-g)$], with differences explained by a combination of earnings growth and dividend payout. Both our DCF and DDM models have terminal values with a growth rate of 1%.

Our assumptions for cost of equity were established by using a variable risk-free rate (equal to the 12-month forward interest rate) and adding a 5.5% equity risk premium each year. The 12-month forward interest rates were derived from the yield curve of the 2022-2031 period. We also consistently use a beta of one (1) so as not to distort the WACC and the comparability of our valuations.

Figure 3. DCF Valuation

PLN m	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Terminal Year
Revenues	216.3	265.1	422.5	475.9	517.7	561.6	578.5	595.8	613.7	632.1	632.1
EBIT	11.3	38.6	65.5	86.8	103.2	132.3	141.2	156.4	166.1	176.2	176.2
Tax on EBIT	1.1	3.9	6.6	8.7	10.3	13.2	26.8	29.7	31.6	33.5	33.5
NOPLAT	10.2	34.8	59.0	78.1	92.9	119.1	114.4	126.7	134.6	142.7	142.7
Depreciation	26.4	23.4	25.1	26.9	28.8	30.9	33.2	35.6	38.3	41.2	41.2
Capital expenditures	-90.6	-24.5	-26.2	-27.2	-29.1	-31.2	-33.3	-35.8	-38.5	-41.4	-41.4
Change in working capital	-21.5	-19.5	-64.3	-21.0	-16.5	-16.3	-6.4	-6.1	-6.8	-7.0	-7.0
Free cash flow	-75.5	14.2	-6.5	56.9	76.2	102.5	107.8	120.4	127.6	135.5	135.5
Risk-free rate	6.41%	6.44%	6.46%	6.47%	6.48%	6.46%	6.90%	6.90%	6.90%	6.90%	6.90%
Equity risk premium	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
Beta	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Cost of equity	11.91%	11.94%	11.96%	11.97%	11.98%	11.96%	12.40%	12.40%	12.40%	12.40%	12.40%
Cost of debt (pre-tax)	8.9%	8.9%	9.0%	9.0%	9.0%	9.0%	9.4%	9.4%	9.4%	9.4%	9.4%
Effective tax rate	45.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	19.0%	19.0%	19.0%	19.0%
After-tax cost of debt	4.9%	8.0%	8.1%	8.1%	8.1%	8.1%	8.5%	7.6%	7.6%	7.6%	7.6%
Weight of debt	17.2%	13.8%	10.2%	11.3%	11.4%	13.0%	11.7%	11.8%	13.7%	11.5%	11.5%
Weight of equity	82.8%	86.2%	89.8%	88.7%	88.6%	87.0%	88.3%	88.2%	86.3%	88.5%	88.5%
WACC	10.7%	11.4%	11.6%	11.5%	11.5%	11.5%	11.9%	11.8%	11.7%	11.9%	11.9%
Discount fact	0.90	0.81	0.73	0.65	0.58	0.52	0.47	0.42	0.37	0.34	0.30
PV of FCF	-68.2	11.5	-4.7	37.1	44.5	53.7	50.5	50.4	47.8	45.4	40.6
Sum of FCF PV's	268.0										
FCF terminal growth rate	2.0%										
Terminal value	1,403.4										
PV of terminal value	420.4										
Unwind of discount	24.2										
Enterprise value	712.5										
Net debt 2021	68.4										
Employees liabilities	-0.8										
Dividend paid out in 2022 (ytd terms)	0.0										
Equity value	643.4										
Per share value (PLN)	99.23										

Source: Company, IPOPEMA Research

Figure 4. DDM Valuation

PLNm	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Terminal Year
Dividends	0.0	0.0	5.9	22.0	37.6	45.2	87.7	90.3	100.6	106.8	106.8
Discount rate	11.9%	11.9%	12.0%	12.0%	12.0%	12.0%	12.4%	12.4%	12.4%	12.4%	12.4%
Discount factor	0.89	0.80	0.71	0.64	0.57	0.51	0.45	0.40	0.36	0.32	0.28
Discounted dividend	0.0	0.0	4.2	14.0	21.4	23.0	39.6	36.3	36.0	34.0	30.2
Sum of DD PV's	208.5										
DIV terminal growth rate	2.0%										
Terminal value	1,047.3										
PV of terminal value	296.5										
Discount unwind	30.9										
Equity value	535.9										
Per share value (PLN)	82.65										

Source: Company, IPOPEMA Research

Figure 5. Valuation Summary

PLN	
DCF	99.23
DDM	82.65
Average	90.94

Source: Company, IPOPEMA Research

Relative valuation

As many of the company's international competitors are private, non-listed companies, and Polish companies operating on the PV market are either incomparable to ML System or there are not enough consensus readings, we decided to show ML System in comparison to international PV utility scale farm operators. This comparison is also imperfect.

Compared to the international peers' median of 2023E P/E of 31.1x, ML System trades at 16.2x, which constitutes a 48.1% discount. In our opinion, the average multiple for ML System should be higher, as the company is set to launch commercial production of entirely new PV modules in months ahead.

Figure 6. Relative valuation

PRICE (LCU)	Ticker	NAME	P/E			EV/EBITDA			EV/SALES		
			2022	2023	2024	2022	2023	2024	2022	2023	2024
111.5	SCATCNOK.S T	SCATEC ASA	36.5	31.1	25.8	11.0	8.8	7.5	8.0	6.7	5.2
37.7	NEOEN.PA	NEOEN SA	73.9	56.0	50.9	17.2	14.6	12.4	14.7	12.1	10.0
14.7	AZRE.K	AZURE POWER GLOBAL LTD	218.3	19.8	12.1	11.7	9.7	8.2	9.7	8.0	6.9
20.0	ECVG.DE	ENCAVIS AG	44.4	42.4	38.1	16.2	15.3	14.5	12.7	12.0	11.0
20.4	VL TSA.PA	VOLTALIA SA	47.8	32.0	30.4	14.9	10.2	9.3	6.3	5.1	5.2
4.9	SOL.N	RENESOLA LTD	39.3	21.8	NaN	9.4	6.0	NaN	1.6	1.3	NaN
20.7	SLRS.MC	SOLARIA ENERGIA Y MEDIO AMBIENTE SA	30.1	22.6	17.8	19.3	13.1	10.5	16.5	11.8	9.1
26.5	SPK.MC	SOLARPACK CORPORACION TECNOLOGICA SA	NaN	NaN	NaN	NULL	NULL	NULL	NULL	NULL	NULL
4.6	HRPKK.DE	7C SOLARPARKEN AG	26.8	36.8	35.4	10.3	11.1	11.4	8.7	9.0	8.8
34.0	GREG.MC	GREENERGY RENOVABLES SA	26.8	17.6	15.5	16.3	10.0	7.4	5.8	4.2	3.7
		MEDIAN	39.3	31.1	28.1	14.9	10.2	9.9	8.7	8.0	7.8
73.5	MLSP.WA	ML SYSTEM	60.4	16.2	8.7	16.4	9.5	6.0	2.9	2.2	1.3
		Premium/discount to median									
		ML SYSTEM	53.5%	-48.1%	-69.2%	10.0%	-6.5%	-39.5%	-67.0%	-72.0%	-83.6%

Source: Reuters, IPOPEMA Research

Risks to fair value

Demand volatility

ML System is exposed to the PV market, which in Poland is undergoing rapid growth. The government, however, is likely to introduce adverse changes to the support scheme to prosumers starting from 2022.

Unfavourable trend in prices of materials and services

Adverse trends such as rising raw material costs and inflation in transport service costs may hamper the company's profitability.

Potential rise in competition

Given the company's superior profitability, arising from complex solutions and a growing scale of operations, several local competitors might attempt to copy ML System's business model, which could potentially increase competition in the company's most important segments. ML System has, however, patented its technology which limits the possibilities of entering the most attractive segments of quantum dot PV modules. The regular PV modules are exposed to high competition as the market is fragmented and exposed to heavy imports, especially from China.

Workforce shortages

A shortage of skilled labour in the construction industry could result in ML System having insufficient employees to operate its business. There are no shortages at the moment, which would likely allow the company to lower its cost base and cost of third parties in quarters ahead.

Rise in receivables

The biggest threat to ML System would be a rapid increase in receivables stemming from construction contracts, which would cast a shadow over the profitability of the executed contracts.

Economy slowdown

Estimates for the Polish economy point to lower growth rates going forward. As a result, some investments could be suspended, which would raise questions about the level of ML System's future backlog. Decreasing EU funds are likely to accentuate the problem.

Judicial reform in Poland

Reform of the judicial system in Poland which was executed in a controversial way in many parts against the existing constitution in Poland has drawn the attention of the EU Commission which threatened to withhold payout of EU proceeds coming in the form of cheap loans and subsidies. In case this stalemate between the government and the EU persists, this may negatively influence funds for many construction projects beyond 2023 and hamper the company's ability to grow revenues on the domestic market.

Financials

Figure 7. INCOME STATEMENT (PLN m)

	2018	2019	2020	2021	2022E	2023E	2024E
Sales	123.3	93.4	127.3	188.8	216.3	265.1	422.5
Cost of goods & products sold	-107.3	-81.4	-96.6	-162.2	-167.5	-193.8	-294.1
Gross profit	15.9	11.9	30.7	26.6	48.8	71.3	128.3
SG&A	-10.8	-15.4	-23.0	-30.0	-35.6	-42.1	-67.1
Other operating activity	2.1	8.5	3.8	7.8	-1.9	9.4	4.2
EBIT	7.2	5.1	11.5	4.4	11.3	38.6	65.5
Net financial activity	-1.5	-1.6	-1.3	-1.2	-2.5	-5.9	-4.3
Pre-tax profit	5.7	3.5	10.3	3.2	8.8	32.8	61.2
Tax	0.0	0.0	-0.1	-1.4	-0.9	-3.3	-6.1
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	5.7	3.5	10.2	1.7	7.9	29.5	55.1
EBITDA	14.6	14.0	22.1	24.4	37.7	62.0	90.6

Source: Company, IPOPEMA Research

Figure 8. BALANCE SHEET (PLN m)

	2018	2019	2020	2021	2022E	2023E	2024E
Long-term assets	111.8	146.1	184.8	247.9	312.2	313.5	315.3
Tangible assets	104.8	135.2	168.5	213.5	277.7	278.8	279.9
Receivables and loans	0.2	0.2	0.5	0.8	0.9	1.1	1.7
Intangible assets	6.6	7.2	11.0	11.8	11.9	11.9	11.9
Others	0.2	3.5	4.8	21.8	21.8	21.8	21.9
Current assets	67.5	70.1	118.8	142.3	139.7	177.6	298.4
Inventories	7.3	9.6	38.3	57.7	59.6	69.0	104.8
Receivables from construction activities	32.4	15.1	18.9	17.3	23.7	29.1	46.3
Trade receivables	12.7	29.8	40.3	41.7	53.3	65.4	104.2
Other	15.1	15.6	21.3	25.6	3.0	14.1	43.1
Total assets	179.3	216.2	303.5	390.2	452.0	491.1	613.7
Equity	74.8	77.4	144.4	146.2	154.1	183.6	232.8
Long-term liabilities	59.9	92.7	95.3	146.9	150.8	168.0	232.9
Interest bearing	10.9	30.8	25.5	43.4	43.4	43.4	43.4
Leasing	1.1	1.8	2.2	13.3	13.7	15.9	24.1
Deferred liabilities	46.4	58.0	61.4	85.9	88.7	102.6	155.8
Others	1.5	2.0	6.2	4.3	4.9	6.0	9.6
Short-term liabilities	44.7	46.1	63.9	97.1	147.1	139.5	148.0
Interest bearing	15.8	15.1	29.8	33.1	85.9	68.4	39.4
Trade liabilities	23.9	24.7	25.2	47.3	45.9	53.1	80.6
Deferred liabilities	4.1	4.4	6.4	8.7	9.0	10.4	15.8
Leasing	0.6	0.5	1.1	3.3	1.1	1.3	2.1
Others	0.3	1.5	1.4	4.6	5.2	6.3	10.0
Total liabilities & equity	179.3	216.2	303.5	390.2	452.0	491.1	613.7

Source: Company, IPOPEMA Research

Figure 9. CASH FLOW STATEMENT (PLN m)

	2018	2019	2020	2021	2022E	2023E	2024E
Net profit	5.7	3.5	10.2	1.7	7.9	29.5	55.1
Depreciation	7.4	8.9	10.6	20.0	26.4	23.4	25.1
Change in net working capital	-9.8	-2.2	-44.4	-15.0	-21.5	-19.5	-64.3
Other items	-7.4	-17.7	1.7	3.5	4.2	17.4	65.1
Operating cash flow	-4.2	-7.6	-21.9	10.2	17.0	50.7	81.0
Purchases of tangibles & intangibles	-25.6	-40.2	-53.2	-55.4	-90.6	-24.5	-26.2
Others	0.1	1.4	4.2	0.0	0.0	0.0	0.0
Investing cash flow	-25.5	-38.7	-49.0	-55.4	-90.6	-24.5	-26.2
Change in interest-bearing debt	-8.0	17.5	9.4	23.0	52.9	-17.6	-28.9
Dividends	0.0	-1.1	0.0	0.0	0.0	0.0	-5.9
Other	50.0	30.4	66.9	26.4	-1.8	2.4	9.0
Financing cash flow	42.0	46.8	76.3	49.4	51.1	-15.2	-25.8
Total cash flow	12.3	0.5	5.4	4.2	-22.6	11.1	29.0
Cash at beginning of period	2.4	14.7	15.1	20.5	24.7	2.2	13.3
Cash at end of period	14.7	15.1	20.5	24.7	2.2	13.3	42.2

Source: Company, IPOPEMA Research

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Net F&C – Net fee and commission income – fee and commission income minus fee and commission expense.

LLP – loan loss provisions – an expense set aside as an allowance for bad loans.

NPL – non-performing loan – loans that are in default or close to be in default.

Cost/Income – operating expenses divided by total banking revenue.

ROE – return on equity – net income (or adjusted net income) divided by the average shareholders' equity.

ROA – return on assets – net income (or adjusted net income) divided by the average assets.

EBIT – earnings before interests and tax.

EBITDA – earnings before interests, tax, depreciation and amortization.

EPS – earnings per share – the net income (or adjusted net income) divided by the number of shares outstanding.

P/E – price to earnings ratio – price divided by earnings per share.

PEG – P/E ratio divided by the annual EPS growth, usually over a certain period of time.

CAGR – compound annual growth rate.

BVPS – book value per share, the book value of the Company's equity divided by the number of shares outstanding.

P/BV – price to book value - price divided by the BVPS.

DPS – dividend per share – dividend of a given year divided by the number of shares outstanding.

DY – dividend yield – dividend of a given year divided by the current price.

DDM – dividend discount model – a fundamental method of valuation based on the assumption that the value of stock equals the sum of all discounted future dividends.

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Date	Recommendation	Fair Value	Price at recommendation	Author
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