

# WIELTON

## Another turbulent year

We stand by our 'Buy' recommendation for WLT, while lowering our 12M price target to PLN 11.7 per share (52% upside). Our valuation approach is based on the assumption that the trailer and semi-trailer market in Europe will normalise and WLT will achieve its market share targets in selected markets, so short to medium term market turbulence in terms of volumes and margins should not overshadow long-term advantages of the company, which is the third largest manufacturer in Europe. We therefore believe that the upcoming deterioration in industry sentiment (volume declines and margin erosion) may be a good time to increase long-term exposure to the company. The loss of significant sales to the Russian, Belarusian and Ukrainian markets, where ca. 3000 vehicles were delivered last year, and the sentiment deterioration expected from transport companies in Poland and the CEE region, which service transport between Europe and the East, mean that the trailer and semi-trailer markets in the aforementioned countries should perform relatively poorly compared to the rest of Europe. Moreover, transport companies are currently also facing pressure from rising fuel prices, limited staff availability and rising finance costs (leasing of vehicles), so we expect a progressive behaviour disparity between the trailer and semi-trailer market in Western Europe and its counterpart in the CEE countries. A combination of weaker sales volumes, continued price hikes of components and production materials, and growing pressure from the competition to place the sales lost in the Russian market in Europe will, in our opinion, drive Wielton Group's EBITDA margin down to 3.2% in 1H22, which will imply EBITDA of ca. PLN 50m.

**Cancellation of the annual forecast.** Given this year's sales volume expectations, it is hard not to mention the cancelled annual forecast, where the MB expected ca. 26k units sold (+4100 y/y), of which ca. 2.5k were to be sold in Russia. The MB saw the greatest potential in the Polish market (+1500), French market (+1000), German market (+450), British market (+300), CEE market (+170) and the new Spanish market (+650). In our forecasts we assume that this year's volume will amount to 22.5k units, which is an increase of ca. 600 units y/y, with a decline in sales to Western markets of ca. 2000 units and a 200 unit drop in sales in the CEE region and Poland. On the other hand, we expect a y/y sales growth in the Western markets. In our view, this year's EBITDA margin will fall to ca. 4.2%. The MB's original 6% margin target assumed price stabilization and a higher sales volume, which was supposed to dilute fixed costs.

**Outlook for PL, CEE and CIS.** We assume that of this year's planned ~2500 sales to the Russian market only 650 units will be realized. Additionally, Belarus and Ukraine constituted an outlet market for ca. 800 vehicles per year, of which only 200 are expected this year. Despite a good start to the year in PL, we assume that this year's sales will fall by 250 units with WLT significantly improving its market share. We associate the weakness of the Polish market and the CEE markets with the sanctions imposed on Russia/Belarus. Many transport companies used to service the Europe-East connection, among others, so their financial situation will deteriorate. High fuel prices and interest rates (leasing of vehicles) are also hitting the finances of transport companies. In addition, companies are facing a shortage of drivers, and entities who have been shipping from/to the East may put more pressure on freight rates as they're searching for alternatives for existing customers. As a result, we assume that sales in the CEE market will be flat this year vs. the expected 150 units.

**Outlook for Western Europe.** We expect that from this year's plan to increase sales in the French market by ~1000 units, the company will manage to achieve an increase of ~500 units. In the UK, the assumed increase in registrations was 300 units. We assume another 300 units of growth in the last-mile segment. We assume a 450 unit increase in sales to the German market. In the case of Italy, we assume a decline and flat sales of ~950 units. We believe that Spain, being a new market, will add ca. 700 units. We assume that sales to the remaining markets (e.g. Belarus/Ukraine) will increase by ca. 1900 units and will be related to the company's willingness to place additional volumes that were meant for the eastern markets (possibly at the expense of margins to dilute fixed costs).

**Postponement of strategy publication.** Originally, the company was to publish its strategy for 2022-2026 in late April/early May, which was supposed to give us a better picture of the company's planned geographical expansion and product development. In the previous strategy, the company failed to meet its volume (25k vs. 21.9k) and margin (EBITDA margin of 5.4% vs. 7%) targets. A deeper analysis of the assumptions for individual countries and product categories has revealed areas of growth for the company in the coming years. The Company's objectives included achieving No 1 position in Poland (No 3 in '21), No 3 in Italy (No 7), No 5 in Germany (No 10), No 5 in CIS countries (No 8 in Russia), and gaining a 2% share in the freezer semi-trailer segment, but these goals have not yet been attained. We assume that the new strategy will be published at the end of this year at the earliest.

**Valuation.** Using the DCF valuation method, we set our 12M price target for WLT shares at PLN 11.7. The present value of WLT shares relative to peer companies is PLN 7.8. In our DCF valuation we increase the WACC from 9% to 11.2% due to an increase in yields on 10-year bonds from 3% to 5%, which has a direct impact on the previous valuation at ca. PLN 5 per share.

m in PLN	2019	2020	2021	2022F	2024F	2024F
Sales	2 343,2	1 817,3	2 696,4	2 959,8	3 040,0	3 185,7
EBITDA	141,8	97,7	144,5	123,7	183,1	206,1
EBIT	89,7	37,0	79,3	55,1	113,0	135,4
Net profit	57,6	31,1	47,3	22,7	76,0	95,6
EPS (PLN)	0,95	0,52	0,78	0,38	1,26	1,58
P/E (x)	7,8	14,4	9,5	19,7	5,9	4,7
EV/EBITDA (x)	6,0	8,3	5,5	6,5	4,1	3,4
P/BV (x)	1,2	1,1	1,0	1,0	0,8	0,7
DY (%)	4,5%	0,0%	4,5%	0,0%	0,0%	6,7%

Source: data of the company

**Buy**

(Previous: Buy; 14,3 PLN)

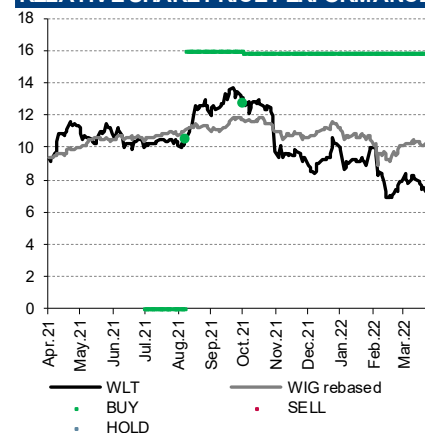
**TP: 11,7 PLN**

**Upside: +58%**

### FACT SHEET

Ticker	WLT		
Sector	Semitrailers		
Price (PLN)	7,41		
52wk Range (PLN)	6,3 / 13,9		
Number of share (m)	60,4		
Market Cap (mPLN)	447		
Free-float	27,9%		
Avg Vol 3M (mPLN)	0,88		
Price performance	1M	3M	1Y
	5,9%	-25,0%	-16,4%

### RELATIVE SHARE PRICE PERFORMANCE



### Recommendation history

	Date	Price
Under review	20.04.2022	11,7
Under review	21.10.2021	15,9
Under review	27.08.2021	16,0
Under review	20.07.2021	n/a
Under review	21.04.2021	n/a
Under review	10.12.2020	n/a
Under review	20.10.2020	n/a

### Shareholders

	Share %
MP Investors	37,6%
MPSZ Sp. z o.o.	13,4%
Łukasz Tylikowski	9,7%
VESTA FIZ	5,9%
TFI Aviva Investors Poland SA	5,5%

### Important dates

Q1 results	26.05.2022
Q2 results	15.09.2022
Q3 results	17.11.2022

### Analyst

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**Wielton**

Bloomberg ticker

WLT PW

**Recommendation** BUY  
**Target Price (PLN)** 11,7

**Current Price (PLN)** 7,41  
**Upside** 58%

Previous Recommendation Buy  
Previous Upside (PLN) 14,3

Number of shares (m) 60,4  
Market Cap (mPLN) 447  
EV (m PLN) 799

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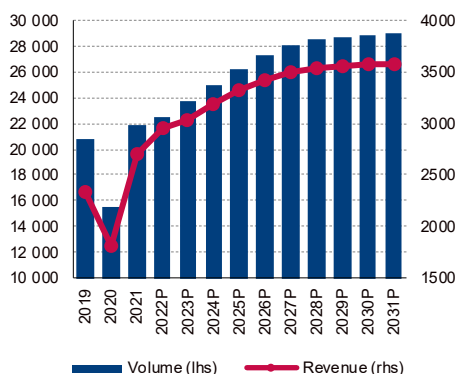
MARKET RATIOS	2020	2021	2022P	2023P	2024P
P/E (x)	14,4	9,5	19,7	5,9	4,7
P/E adj. (x)	51,4	10,0	19,7	5,9	4,7
P/BV (x)	1,1	1,0	1,0	0,8	0,7

EV/EBITDA (x)	8,9	5,5	6,5	4,1	3,4
EV/EBITDA adj. (x)	12,5	5,7	6,5	4,1	3,4
EV/Sales (x)	0,5	0,3	0,3	0,2	0,2
FCF Yield (%)	17,2%	9,2%	-2,0%	14,3%	17,5%
DY (%)	0,0%	4,5%	0,0%	0,0%	6,7%

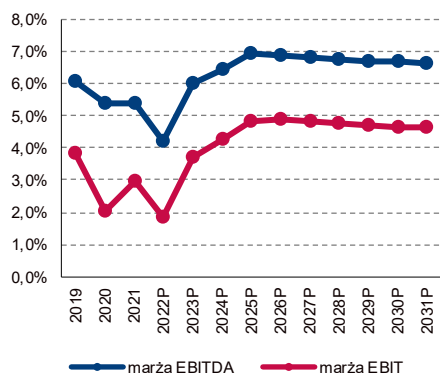
RATIOS	2020	2021	2022P	2023P	2024P
EPS (PLN)	0,5	0,8	0,4	1,3	1,6
EPS adj. (PLN)	0,1	0,7	0,4	1,3	1,6
DPS (PLN)	0,0	0,3	0,0	0,0	0,5
BVPS (PLN)	6,7	7,3	7,7	8,9	10,0

Number of shares (m)	60,4	60,4	60,4	60,4	60,4
Market Cap (mPLN)	447	447	447	447	447
EV (mPLN)	812	799	808	744	696

**Revenue and volume forecast**



**EBITDA and EBIT margin**



**Company market share**

Udział WLT	2018	2019	2020	2021
Polska	15,5%	14,1%	12,4%	12,7%
Francja	18,3%	20,1%	18,2%	19,7%
Włochy	4,8%	5,1%	5,2%	5,9%
Rosja	3,0%	3,2%	2,3%	3,8%
Wielka Brytania	10,3%	8,0%	10,9%	12,8%
Niemcy	1,4%	1,4%	1,7%	1,5%
CEE	5,6%	4,7%	6,0%	5,5%

Pozycja WLT	2018	2019	2020	2021
Polska	3	3	3	3
Francja	1	1	1	1
Włochy	5	6	6	7
Rosja	8	7	10	8
Wielka Brytania	2	5	2	2
Niemcy	9	10	10	10
CEE	4	4	4	5

P&L (mPLN)	2020	2021	2022P	2023P	2024P
Sales	1 817,3	2 696,4	2 959,8	3 040,0	3 185,7
COGS	1 629,0	2 388,0	2 650,7	2 665,1	2 777,6
Gross profit	188,3	308,4	309,1	375,0	408,1
<b>EBITDA</b>	<b>97,7</b>	<b>144,5</b>	<b>123,7</b>	<b>183,1</b>	<b>206,1</b>
EBITDA adj.	69,7	141,4	123,7	183,1	206,1
D&A	60,7	65,2	68,6	70,1	70,8
EBIT	37,0	79,3	55,1	113,0	135,4
Gross profit	20,0	59,2	28,7	96,2	121,1
Minority interest	-3,8	0,4	0,0	0,0	0,0
Net profit	31,1	47,3	22,7	76,0	95,6
<b>Net profit adj.</b>	<b>8,7</b>	<b>44,8</b>	<b>22,7</b>	<b>76,0</b>	<b>95,6</b>

CASH FLOW STATEMENT (mPLN)	2020	2021	2022P	2023P	2024P
<b>Cash flow from operations</b>	<b>149,2</b>	<b>128,7</b>	<b>82,2</b>	<b>139,7</b>	<b>154,7</b>
<b>Cash flow from investing</b>	<b>-68,8</b>	<b>-71,1</b>	<b>-90,9</b>	<b>-75,5</b>	<b>-76,3</b>
CAPEX	-72,2	-87,4	-90,9	-75,5	-76,3
<b>Cash flow from financing</b>	<b>-50,4</b>	<b>-25,9</b>	<b>-55,6</b>	<b>-62,5</b>	<b>-75,5</b>
Dividend	0,0	-19,9	0,0	0,0	-30,2
FCF	77,0	41,3	-8,8	64,1	78,4
Net cash flow	30,0	31,8	-64,4	1,6	2,9

BALANCE SHEET (mPLN)	2020	2021	2022P	2023P	2024P
<b>ASSETS</b>	<b>1 479,3</b>	<b>1 857,5</b>	<b>1 824,1</b>	<b>1 858,5</b>	<b>1 916,5</b>
PPE	491,6	525,6	547,9	553,3	558,9
Goodwill	64,0	64,0	64,0	64,0	64,0
Intangible assets	0,0	0,0	0,0	0,0	0,0
Cash and equivalents	88,8	123,6	59,2	60,8	63,7

<b>EQUITY AND LIABILITIES</b>	<b>1 479,3</b>	<b>1 857,5</b>	<b>1 824,1</b>	<b>1 858,5</b>	<b>1 916,5</b>
Equity	403,7	440,3	463,0	539,0	604,4
Minority shareholders capital	23,9	25,6	25,6	25,6	25,6
Interest-bearing liabilities	453,7	475,4	419,7	357,2	311,9
Net debt	364,9	351,8	360,6	296,4	248,2
Net working capital	248,1	227,9	237,1	243,5	255,2

OPERATING INDICATORS	2020	2021	2022P	2023P	2024P
Sales growth (%)	-22%	48%	10%	3%	5%
EPS adj. growth (%)	-46%	52%	-52%	235%	26%

Gross profit margin (%)	10,4%	11,4%	10,4%	12,3%	12,8%
EBITDA adj. margin (%)	3,8%	5,2%	4,2%	6,0%	6,5%
Operating profit margin (%)	2,0%	2,9%	1,9%	3,7%	4,2%
Net profit adj. margin (%)	0,5%	1,7%	0,8%	2,5%	3,0%

ROE (%)	2,2%	10,6%	5,0%	15,2%	16,7%
ROA (%)	0,6%	2,7%	1,2%	4,1%	5,1%
CAPEX/Sales (%)	4,0%	3,2%	3,1%	2,5%	2,4%
CAPEX/D&A (x)	1,2	1,3	1,3	1,1	1,1
Net debt/Equity	0,9	0,8	0,8	0,6	0,4
Net debt/EBITDA (x)	3,7	2,4	2,9	1,6	1,2

Cash conversion cycle (days)	52	29	25	25	24
Inventory turnover (days)	78	66	72	73	73
Receivables turnover (days)	68	56	59	58	58
Liabilities turnover (days)	94	93	106	107	106

Source: Company, Trigon DM

## Income-based valuation

We use the discounted cash flow (DCF) model as our income-based valuation method.

### Assumptions for valuation:

RFR – 5%,

- risk premium – 6.5% (according to TDM's methodology, the Company is included in the SWIG80 index),

- unlevered beta multiple – 1x,

- contingent liabilities of EUR 6.5m for the 20% Langendorf redemption and GBP 10m for 25% shares in Lawrance David

### WLT: DCF valuation

DCF	2019	2020	2021	2022P	2023P	2024P	2025P	2026P	2027P	2028P	2029P	2030P	2031P
<b>Semitrailers volume</b>	<b>20 824</b>	<b>15 532</b>	<b>21 870</b>	<b>22 469</b>	<b>23 800</b>	<b>25 050</b>	<b>26 300</b>	<b>27 350</b>	<b>28 100</b>	<b>28 550</b>	<b>28 700</b>	<b>28 850</b>	<b>29 000</b>
Poland	4 007	2 722	5 155	4 909	5 300	5 300	5 300	5 300	5 300	5 300	5 300	5 300	5 300
France	5 697	4 166	4 882	5 400	5 500	5 600	5 700	5 700	5 700	5 700	5 700	5 700	5 700
UK	4 035	3 391	3 867	4 450	4 500	4 700	4 900	5 000	5 000	5 000	5 000	5 000	5 000
Germany	1 209	772	1 325	1 900	1 900	2 200	2 500	2 800	3 000	3 000	3 000	3 000	3 000
Russia	2 189	1 622	2 353	650	0	0	0	0	0	0	0	0	0
Italy	680	467	921	960	1 000	1 100	1 200	1 300	1 400	1 500	1 500	1 500	1 500
CEE	1 054	782	1 224	1 200	1 500	1 700	1 900	2 100	2 300	2 500	2 500	2 500	2 500
Other	2 065	1 610	2 143	2 300	3 300	3 450	3 600	3 750	3 900	4 050	4 200	4 350	4 500
<b>Semitrailers revenue</b>	<b>2 195</b>	<b>1 692</b>	<b>2 559</b>	<b>2 820</b>	<b>2 895</b>	<b>3 036</b>	<b>3 170</b>	<b>3 274</b>	<b>3 335</b>	<b>3 381</b>	<b>3 397</b>	<b>3 413</b>	<b>3 429</b>
Poland	376	228	519	540	583	583	583	583	583	583	583	583	583
France	684	542	644	767	781	795	809	809	809	809	809	809	809
UK	335	297	392	467	473	494	515	525	525	525	525	525	525
Germany	231	163	280	380	361	396	425	448	450	450	450	450	450
Russia	217	159	254	72	0	0	0	0	0	0	0	0	0
Italy	68	49	100	113	98	107	117	127	137	146	146	146	146
CEE	116	89	141	144	158	179	200	221	242	263	263	263	263
Other	169	255	371	253	347	362	378	394	410	425	441	457	473
<b>Revenue: services</b>	<b>51</b>	<b>46</b>	<b>58</b>	<b>60</b>	<b>65</b>	<b>70</b>	<b>75</b>	<b>75</b>	<b>75</b>	<b>75</b>	<b>75</b>	<b>75</b>	<b>75</b>
<b>Revenue: materials</b>	<b>97</b>	<b>79</b>	<b>79</b>	<b>80</b>	<b>80</b>	<b>80</b>	<b>80</b>	<b>80</b>	<b>80</b>	<b>80</b>	<b>80</b>	<b>80</b>	<b>80</b>
<b>Revenue: total</b>	<b>2343</b>	<b>1817</b>	<b>2696</b>	<b>2960</b>	<b>3040</b>	<b>3186</b>	<b>3325</b>	<b>3429</b>	<b>3490</b>	<b>3536</b>	<b>3552</b>	<b>3568</b>	<b>3584</b>
EBITDA	142	98	144	124	183	206	231	236	238	239	239	238	237
<b>EBITDA margin</b>	<b>6,1%</b>	<b>5,4%</b>	<b>5,4%</b>	<b>4,2%</b>	<b>6,0%</b>	<b>6,5%</b>	<b>6,9%</b>	<b>6,9%</b>	<b>6,8%</b>	<b>6,8%</b>	<b>6,7%</b>	<b>6,7%</b>	<b>6,6%</b>
EBIT	90	37	79	55	113	135	160	167	168	169	168	167	166
<b>EBIT margin</b>	<b>3,8%</b>	<b>2,0%</b>	<b>2,9%</b>	<b>1,9%</b>	<b>3,7%</b>	<b>4,2%</b>	<b>4,8%</b>	<b>4,9%</b>	<b>4,8%</b>	<b>4,8%</b>	<b>4,7%</b>	<b>4,7%</b>	<b>4,6%</b>
Effective tax rate	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%
<b>NOPLAT</b>	<b>71</b>	<b>29</b>	<b>63</b>	<b>44</b>	<b>89</b>	<b>107</b>	<b>126</b>	<b>132</b>	<b>133</b>	<b>133</b>	<b>132</b>	<b>132</b>	<b>131</b>
D&A				69	70	71	71	69	70	71	71	71	72
CAPEX				-91	-76	-76	-71	-69	-70	-71	-71	-71	-72
NWC change				-9	-6	-12	-11	-17	-10	-8	-3	-3	-3
<b>FCF</b>				<b>12</b>	<b>77</b>	<b>90</b>	<b>115</b>	<b>115</b>	<b>123</b>	<b>125</b>	<b>130</b>	<b>129</b>	<b>128</b>
D/(E+D)				47,6%	39,9%	34,0%	25,8%	16,8%	10,2%	9,3%	8,5%	7,8%	7,3%
Beta leverage				1,7	1,5	1,4	1,3	1,2	1,1	1,1	1,1	1,1	1,1
CoD after tax				5,3%	5,3%	5,3%	5,3%	5,3%	5,3%	5,3%	5,3%	5,3%	5,3%
CoE				16,3%	15,0%	14,2%	13,3%	12,6%	12,1%	12,0%	12,0%	11,9%	11,9%
WACC				11,0%	11,1%	11,2%	11,2%	11,3%	11,4%	11,4%	11,4%	11,4%	11,4%
Discount rate				0,90	0,81	0,73	0,66	0,59	0,53	0,47	0,43	0,38	0,34
<b>Sum of DFCF</b>				<b>555</b>									
g				1,5%									
<b>Discounted RV</b>				<b>450</b>									
Net debt				352									
Conting				72									
Dividend				0									
Tax asset				0									
<b>Company value as at (01/01/2022)</b>				<b>581</b>									
<b>Company value as at (20/04/2022)</b>				<b>610</b>									
Number of shares (mn)				60,4									
<b>Company value per share (10/04/2022)</b>				<b>10,1</b>									
<b>TP 12M</b>				<b>11,7</b>									
Current price				7,4									
Discount / (premium)				58%									

Analiza	Zmiana marży EBIT					
	w rażliw ości	-0,50%	-0,25%	0,00%	0,25%	0,50%
9,8%	15,0	15,4	15,8	16,2	16,6	
10,3%	13,5	13,9	14,3	14,6	15,0	
10,8%	12,1	12,5	12,9	13,3	13,7	
<b>WACC</b>	<b>11,3%</b>	<b>10,9</b>	<b>11,3</b>	<b>11,7</b>	<b>12,1</b>	<b>12,5</b>
11,8%	9,9	10,2	10,6	11,0	11,4	
12,3%	8,9	9,3	9,6	10,0	10,4	
12,8%	8,0	8,4	8,7	9,1	9,5	

Source: Trigon DM

## Market multiples valuation

The company's main competitors on the European market, that is Schmitz, Krone, Kogel, Schwarzmuller are not listed companies, so the market multiples valuation is based on data for entities with exposure to the heavy-duty vehicles segment, where we distinguish two groups: OEMs and Tier 1 suppliers, as well as Polish industrial companies.

1) Valuation based on the median of the P/E multiple for 2022–2024F

2) Valuation based on the median of the EV/EBITDA multiple for 2022–2024F

The final market multiples valuation is an average of the two above-mentioned methods. We assign an equal 50% weighting to both methods. Each peer group has an equal share in the valuation.

### Multiples of the companies from the peer group

	EV/EBITDA			P/E			EV/EBIT			
	2022P	2023P	2024P	2022P	2023P	2024P	2022P	2023P	2024P	
Wielton	6,7	4,2	3,5	20,5	6,1	4,9	15,0	6,7	5,3	
<b>Przemysł w PL (33%)</b>	<b>4,6</b>	<b>4,7</b>	<b>4,3</b>	<b>7,7</b>	<b>8,8</b>	<b>8,6</b>	<b>6,5</b>	<b>7,8</b>	<b>6,5</b>	
Alumetal	6,8	6,8	6,4	8,7	9,0	8,6	8,1	8,2	7,8	
Cognor	2,0	5,6	5,0	2,5	10,3	10,2	2,2	8,3	7,8	
Kęty	7,5	7,6	7,5	9,3	9,7	9,5	9,0	9,4	9,3	
Mangata	4,8	4,4	4,3	6,3	5,8	5,7	6,6	6,2	6,0	
MFO	2,9	3,9	3,5	3,9	6,1	5,7	3,1	4,3	3,9	
Raw Iplug	4,2	3,7	3,4	5,4	5,1	4,6	5,3	4,8	4,4	
Stalprodukt	1,2	1,6	0,9	3,8	14,4	12,6	1,5	2,7	1,6	
AC Autogaz	7,3	6,9	6,6	11,0	9,5	9,2	9,8	9,1	8,7	
Amica	5,6	4,9	4,3	11,2	9,4	7,9	9,7	8,3	7,0	
Arctic Paper	2,4	2,2	2,1	7,1	7,9	8,6	3,5	3,4	3,3	
Famur	3,4	2,5	1,8	9,8	8,6	9,7	5,9	4,1	3,1	
Forte	5,7	6,0	5,8	8,2	8,5	8,0	7,6	8,3	7,9	
Korporacja KGL	4,4	3,5	2,9	10,0	5,8	4,9	11,5	7,3	5,8	
New ag	5,2	6,2	6,8	7,1	9,9	11,3	6,4	8,3	9,6	
<b>Tier 1 (33%)</b>	<b>5,2</b>	<b>4,1</b>	<b>3,4</b>	<b>8,5</b>	<b>6,5</b>	<b>5,9</b>	<b>5,2</b>	<b>6,7</b>	<b>5,2</b>	
Cummins	7,4	6,8	6,9	11,4	10,0	10,3	7,4	8,2	8,2	
Meritor	6,5	6,2	-	9,2	8,4	8,6	6,5	8,4	-	
Allison Transmission	6,2	5,5	5,8	7,0	6,3	6,6	6,2	6,7	7,1	
Dana	4,9	4,1	3,5	7,6	5,5	4,7	4,9	6,3	5,0	
American Axle	3,7	2,9	2,5	7,4	3,9	2,8	3,7	6,4	4,5	
Wabash	5,5	-	-	7,7	5,8	4,5	5,5	-	-	
Maxitrans	6,3	5,4	-	14,5	11,0	-	6,3	9,0	-	
SAF Holland	4,0	3,2	2,7	6,7	5,7	5,2	4,0	4,8	4,0	
Kongsberg Automotive	3,9	2,8	-	9,4	6,7	-	3,9	4,4	-	
JOST	4,5	4,0	3,4	9,4	8,7	8,1	4,5	7,2	5,5	
<b>OEM (33%)</b>	<b>4,5</b>	<b>3,8</b>	<b>3,7</b>	<b>10,6</b>	<b>9,5</b>	<b>9,1</b>	<b>4,5</b>	<b>8,5</b>	<b>8,0</b>	
Traton	5,0	4,1	4,0	5,6	4,0	3,4	5,0	7,4	6,4	
Volvo	4,1	3,4	3,3	9,4	8,5	8,4	4,1	4,9	4,8	
PACCAR	8,4	5,8	6,5	12,1	10,5	11,4	8,4	9,6	11,5	
CNH	3,3	3,3	2,1	11,9	10,6	9,8	3,3	11,3	9,6	
<b>Partial valuation</b>	<b>230</b>	<b>468</b>	<b>536</b>	<b>203</b>	<b>628</b>	<b>752</b>				
Weight of the year	33%	33%	33%	33%	33%	33%				
<b>Partial valuation</b>		<b>411</b>			<b>527</b>		<b>2022P</b>	<b>2023P</b>	<b>2024P</b>	
Indicator weight		50%			50%		EBITDA	123,7	183,1	206,1
<b>Peers valuation</b>	<b>7,8</b>						Net profit	22,7	76,0	95,6
<b>TP 12M</b>	<b>8,8</b>						Net debt	360,6	296,4	248,2

Source: Bloomberg, Trigon DM

The multiples assumed for WLT are based on our forecast. The values of multiples of foreign companies in the peer group represent Bloomberg consensus, while in the case of domestic peers the multiples are based on Trigon DM's forecasts. We did not make a one-off adjustment.

## Summary of valuations

### WLT: Summary of valuation

Summary valuation	Current valuation	12M valuation	Weight	Target price	Upside
DCF	10,1	11,7	100%	11,7	58%
Peers	7,8	8,8	0%		

Source: Trigon DM

The DCF-based valuation implies a 52% upside for the stock price, while the market multiples valuation returns 14%. Due to the lack of peer companies with an identical business profile, we assign 100% weighting to the DCF method. **Our final 12M target price is PLN 11.7 per share, implying a 52% upside for the stock price from the current level.**

**Income statement (PLNm)**

	2019	2020	2021	2022F	2024F	2024F
<b>Revenues</b>	<b>2 343,2</b>	<b>1 817,3</b>	<b>2 696,4</b>	<b>2 959,8</b>	<b>3 040,0</b>	<b>3 185,7</b>
Operating expenses	2 075,9	1 629,0	2 388,0	2 650,7	2 665,1	2 777,6
Gross profit from sales	<b>267,3</b>	<b>188,3</b>	<b>308,4</b>	<b>309,1</b>	<b>375,0</b>	<b>408,1</b>
Sales expenses	125,1	102,2	140,8	159,1	164,2	172,0
Management costs	82,5	73,2	92,2	94,9	97,8	100,7
<b>Profit from sales</b>	<b>59,6</b>	<b>12,9</b>	<b>75,5</b>	<b>55,1</b>	<b>113,0</b>	<b>135,4</b>
Result on other operating activity	30,1	24,1	3,8	0,0	0,0	0,0
<b>EBITDA</b>	<b>141,8</b>	<b>97,7</b>	<b>144,5</b>	<b>123,7</b>	<b>183,1</b>	<b>206,1</b>
<b>EBITDA adj.</b>	<b>119,1</b>	<b>69,7</b>	<b>141,4</b>	<b>123,7</b>	<b>183,1</b>	<b>206,1</b>
Amortization	52,1	60,7	65,2	68,6	70,1	70,8
<b>EBIT</b>	<b>89,7</b>	<b>37,0</b>	<b>79,3</b>	<b>55,1</b>	<b>113,0</b>	<b>135,4</b>
Financial net	-9,2	-17,0	-20,1	-26,4	-16,8	-14,3
<b>Gross profit</b>	<b>80,5</b>	<b>20,0</b>	<b>59,2</b>	<b>28,7</b>	<b>96,2</b>	<b>121,1</b>
Income tax	22,6	-7,3	11,5	6,0	20,2	25,4
Minority interest	0,3	-3,8	0,4	0,0	0,0	0,0
<b>Net profit</b>	<b>57,6</b>	<b>31,1</b>	<b>47,3</b>	<b>22,7</b>	<b>76,0</b>	<b>95,6</b>
<b>Net profit adj.</b>	<b>39,5</b>	<b>8,7</b>	<b>44,8</b>	<b>22,7</b>	<b>76,0</b>	<b>95,6</b>

	11,4%	10,4%	11,4%	10,4%	12,3%	12,8%
EBITDA adj. margin	5,1%	3,8%	5,2%	4,2%	6,0%	6,5%
EBIT margin	3,8%	2,0%	2,9%	1,9%	3,7%	4,2%
net profit adj. margin	1,7%	0,5%	1,7%	0,8%	2,5%	3,0%

sales growth y/y	13%	-22%	48%	10%	3%	5%
	-6%	-30%	64%	0%	21%	9%
EBITDA adj. growth y/y	-8%	-41%	103%	-13%	48%	13%
EBIT growth y/y	-7%	-59%	114%	-31%	105%	20%
net profit adj. growth y/y	-43%	-78%	415%	-49%	235%	26%

	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
<b>Revenues</b>	<b>488,2</b>	<b>514,6</b>	<b>633,0</b>	<b>675,3</b>	<b>620,9</b>	<b>767,2</b>
Operating expenses	424,4	454,4	552,4	583,9	556,4	695,3
Gross profit from sales	<b>63,8</b>	<b>60,2</b>	<b>80,6</b>	<b>91,5</b>	<b>64,5</b>	<b>71,9</b>
Sales expenses	28,1	27,2	31,1	36,4	33,0	40,4
Management costs	16,4	19,9	22,3	24,8	20,5	24,6
<b>Profit from sales</b>	<b>19,2</b>	<b>13,1</b>	<b>27,2</b>	<b>30,3</b>	<b>11,0</b>	<b>6,9</b>
Result on other operating activity	-0,2	9,8	0,8	1,0	1,0	-1,3
<b>EBITDA</b>	<b>34,0</b>	<b>40,0</b>	<b>43,8</b>	<b>47,8</b>	<b>28,6</b>	<b>24,3</b>
<b>EBITDA adj.</b>	<b>34,2</b>	<b>30,2</b>	<b>41,5</b>	<b>46,8</b>	<b>27,6</b>	<b>25,6</b>
Amortization	15,0	17,1	15,7	16,5	16,6	16,4
<b>EBIT</b>	<b>19,0</b>	<b>22,9</b>	<b>28,0</b>	<b>31,4</b>	<b>12,0</b>	<b>7,9</b>
Financial net	-3,1	-2,5	-2,1	-5,3	-5,8	-14,4
<b>Gross profit</b>	<b>15,9</b>	<b>20,4</b>	<b>26,0</b>	<b>26,1</b>	<b>6,2</b>	<b>0,9</b>
Income tax	5,5	2,7	6,8	4,2	0,6	0,0
Minority interest	-0,8	-0,9	0,4	0,6	0,2	-0,8
<b>Net profit</b>	<b>11,2</b>	<b>18,5</b>	<b>18,8</b>	<b>21,4</b>	<b>5,5</b>	<b>1,7</b>
<b>Net profit adj.</b>	<b>11,4</b>	<b>10,7</b>	<b>16,9</b>	<b>20,6</b>	<b>4,7</b>	<b>2,7</b>

	13,1%	11,7%	12,7%	13,5%	10,4%	9,4%
EBITDA adj. margin	7,0%	5,9%	6,6%	6,9%	4,4%	3,3%
EBIT margin	3,9%	4,4%	4,4%	4,6%	1,9%	1,0%
net profit adj. margin	2,3%	2,1%	2,7%	3,0%	0,8%	0,4%

	0	0	0	0	0	0
sales growth y/y	-4,6%	1,8%	34,0%	97,4%	27,2%	49,1%
	9,0%	7,8%	60,6%	542,6%	1,1%	19,4%
EBITDA adj. growth y/y	40,4%	33,8%	188,1%	-	-19,3%	-15,2%
EBIT growth y/y	-9,8%	154,6%	843,7%	-	-36,6%	-65,6%
net profit adj. growth y/y	126,0%	118,9%	-	-	-59,0%	-74,6%

Source: the company, Trigon Brokerage House



**Balance (PLN m)**

	2019	2020	2021	2022F	2024F	2024F
<b>Fixed assets</b>	<b>645,1</b>	<b>692,0</b>	<b>730,4</b>	<b>752,7</b>	<b>758,2</b>	<b>763,7</b>
Tangible fixed assets	463,0	491,6	525,6	547,9	553,3	558,9
Intangible assets	0,0	0,0	0,0	0,0	0,0	0,0
Company's value	64,0	64,0	64,0	64,0	64,0	64,0
Long-term receivables	0,0	0,0	0,0	0,0	0,0	0,0
Long-term investments	0,0	0,0	0,0	0,0	0,0	0,0
Other	118,1	136,5	140,8	140,8	140,8	140,8
<b>Current assets</b>	<b>752,7</b>	<b>787,2</b>	<b>1 127,1</b>	<b>1 071,4</b>	<b>1 100,3</b>	<b>1 152,8</b>
Inventory	360,7	338,0	524,7	526,8	541,0	567,0
Trade receivables	320,7	353,7	473,9	480,6	493,7	517,3
Other	13,3	6,7	4,8	4,8	4,8	4,8
Cash	58,1	88,8	123,6	59,2	60,8	63,7
<b>Assets</b>	<b>1 397,8</b>	<b>1 479,3</b>	<b>1 857,5</b>	<b>1 824,1</b>	<b>1 858,5</b>	<b>1 916,5</b>
<b>Equity</b>	<b>377,1</b>	<b>403,7</b>	<b>440,3</b>	<b>463,0</b>	<b>539,0</b>	<b>604,4</b>
Share capital	12,1	12,1	12,1	12,1	12,1	12,1
Other	307,4	360,6	381,0	428,2	450,9	496,7
Net profit (loss)	57,6	31,1	47,3	22,7	76,0	95,6
<b>Minority capital</b>	<b>26,3</b>	<b>23,9</b>	<b>25,6</b>	<b>25,6</b>	<b>25,6</b>	<b>25,6</b>
<b>Long-term liabilities</b>	<b>383,7</b>	<b>366,4</b>	<b>460,0</b>	<b>412,8</b>	<b>359,9</b>	<b>321,5</b>
Interest-bearing liabilities	305,3	285,9	402,8	355,7	302,7	264,3
Other	78,4	80,5	57,2	57,2	57,2	57,2
<b>Short-term liabilities</b>	<b>610,7</b>	<b>685,2</b>	<b>931,6</b>	<b>922,7</b>	<b>934,0</b>	<b>965,0</b>
Interest-bearing liabilities	151,1	167,8	72,6	64,1	54,5	47,6
Trade liabilities	392,4	443,6	770,7	770,3	791,2	829,1
Other	67,2	73,8	88,3	88,3	88,3	88,3
<b>Liabilities</b>	<b>1 397,8</b>	<b>1 479,3</b>	<b>1 857,5</b>	<b>1 824,1</b>	<b>1 858,5</b>	<b>1 916,5</b>
Net working capital	289,0	248,1	227,9	237,1	243,5	255,2
Net debt	398,3	364,9	351,8	360,6	296,4	248,2
Net debt corr.	398,3	364,9	351,8	360,6	296,4	248,2
Net debt /EBITDA (x)	2,8	3,7	2,4	2,9	1,6	1,2
Net debt /equity (x)	1,1	0,9	0,8	0,8	0,6	0,4
ROE (%)	11%	2%	11%	5%	15%	17%
ROA (%)	3%	1%	3%	1%	4%	5%
Cash conversion cycle (days)	43	52	29	25	25	24
Inventory turnover (days)	67	78	66	72	73	73
Receivables turnover ratio (days)	55	68	56	59	58	58
Accounts payable turnover ratio (days)	80	94	93	106	107	106

**Cash Flow (PLNm)**

	2019	2020	2021	2022F	2024F	2024F
<b>Cash flows from operating activities</b>	<b>108,1</b>	<b>149,2</b>	<b>128,7</b>	<b>82,2</b>	<b>139,7</b>	<b>154,7</b>
Net profit (loss)	57,6	31,1	47,3	22,7	76,0	95,6
Amortization	52,1	60,7	65,2	68,6	70,1	70,8
Changes in working capital	-13,4	40,9	20,2	-9,2	-6,4	-11,7
Inventory changes	40,7	22,8	-186,8	-2,1	-14,3	-25,9
Trade receivables change	65,8	-33,1	-120,2	-6,7	-13,0	-23,7
Trade liabilities change	-120,0	51,2	327,2	-0,4	20,9	37,9
Other	11,8	16,5	-3,9	0,0	0,0	0,0
<b>Cash flows from investment activities</b>	<b>-82,6</b>	<b>-68,8</b>	<b>-71,1</b>	<b>-90,9</b>	<b>-75,5</b>	<b>-76,3</b>
CAPEX	-89,3	-72,2	-87,4	-90,9	-75,5	-76,3
Other	6,8	3,4	16,3	0,0	0,0	0,0
<b>Cash flows from financial activities</b>	<b>-1,8</b>	<b>-50,4</b>	<b>-25,9</b>	<b>-55,6</b>	<b>-62,5</b>	<b>-75,5</b>
Interest-bearing liabilities change	72,9	-2,7	21,7	-55,6	-62,5	-45,3
Revenues from shares emission	0,0	0,0	0,0	0,0	0,0	0,0
Dividend	-19,9	0,0	-19,9	0,0	0,0	-30,2
Other	-54,8	-47,7	-27,6	0,0	0,0	0,0
<b>Net cash flows</b>	<b>23,8</b>	<b>30,0</b>	<b>31,8</b>	<b>-64,4</b>	<b>1,6</b>	<b>2,9</b>
Cash opening balance	36,3	58,1	88,8	123,6	59,2	60,8
Closing balance of cash	58,1	88,8	123,6	59,2	60,8	63,7

Source: the company, Trigon Brokerage House

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#### Definitions

capitalisation – market price multiplied by the number of a company's shares

free float (%) – a percentage of a company's shares held by shareholders with less than 5% shareholding reduced by treasury shares held by the company

min/max 52 wks – minimum/maximum share price within the last 52 weeks

average turnover – average volume of share trading within the last month

EBIT – operating profit

EBITDA – operating profit increased by depreciation and amortisation

adjusted profit – net profit adjusted for one-off items

CF – cash flow

capex – sum of investment expenditures on fixed assets

ROA – rate of return on assets

ROE – rate of return on equity

gross profit margin – a ratio of gross profit to net revenue

EBITDA margin – a ratio of sum of operating profit and depreciation/amortisation to net revenue

EBIT margin – a ratio of operating profit to net revenue

net margin – a ratio of net profit to net revenue

EPS – earnings per share

DPS – dividends per share

P/E – a ratio of market price to earnings per share

P/BV – a ratio of market price to book value per share

EV/EBITDA – a company's EV to EBITDA ratio

EV – sum of a company's current capitalisation and net debt

DY – dividend yield, dividend paid to share price ratio



ISSUER – Wielton S.A.

**Recommendations of the Brokerage House**

BUY – we expect that the rate of return on an investment will be at least 10%  
 NEUTRAL – we expect the price of an investment to be relatively stable, optionally it will increase no greater than 10%  
 SELL – we expect that an investment will make a loss greater than 0%  
 Recommendation prepared by: Łukasz Rudnik

Recommendations are valid for a period of 12 months from the date of issuance (the date specified at the beginning of the document) or until the price target of the financial instrument is achieved. The Brokerage House may update its recommendation at any time, depending on current market conditions or assessment of persons preparing the recommendation. Short-term recommendations (particularly those designated as speculative) may be valid for a shorter period of time. Short-term recommendations designated as speculative involve a higher investment risk.

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The Brokerage House customarily applies two methods – discounted cash flow (DCF) and multiples methods (a comparison of a company's trading multiples with the metrics of comparable companies). Alternatively, a discounted dividend model may also be used. The key disadvantage of methods based on discounted cash flows is high sensitivity to adopted assumptions, whereas their advantage is a lack of relation to a company's current market price. On the other hand, the main disadvantage of the multiples method is a risk that at a given point in time the market prices of comparable companies might not reflect their true value, whereas its advantage lies in the fact that it shows a company's market value obtained based on the market values of comparable companies.

As basis valuation methodology and the adopted assumptions used to assess the financial instrument or issuer or to determine the target price of the financial instrument was adopted discounted free cash flow model.

The valuation, valuation methodology or adopted assumptions did not change from the date of preparation and the first dissemination of the Document.

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