

Research

Poland | Equity Research

 Research Department
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K2 Holding

Buy

(Previously: Hold, PLN 35)

Target Price: PLN 38
Upside Potential: +3%

A good start to the year, challenging base in Q2

After a strong first quarter, we raise our price target by PLN 3 per share to PLN 38, but we reiterate a Hold rating. The excellent results of Fabrity, which reported over 30% growth in operating revenues and a similarly strong increase in operating profit, improve our perception of the company compared to other representatives of the software house segment listed on the Warsaw Stock Exchange, where the organic growth rate is slowing down and pressure on margins is visible. We approach the second quarter with a bit more caution, taking into account last year's demanding base for Fabrity (Q2 was the most profitable quarter for the company in 2022) and less favorable exchange rates, with the strengthening of the PLN, which naturally affects the profitability of revenues from foreign markets in the short term. We believe that it will be harder to improve the result in Q2, but we hope for a return to higher dynamics in the second half of the year. Fabrity's customers are in many cases less dependent on economic fluctuations. Apart from Frontex, many contracts are projects with a horizon of several years, which should offset the impact of the slowdown in the sector on the company's results. At the same time, it has become easier to recruit employees. Fabrity increased the team by nearly 30 people in the first quarter, compared to 220 at the end of 2022.

Dividend. The proposed PLN 4.0 per-share payment is slightly higher than the PLN 3.2 mentioned by the Management Board at the previous conference as the lower limit of the range resulting from the dividend policy. The amount is close to the net cash the company had at the end of Q1'23 and together with the PLN 8.4 per share paid in the previous year, it probably ends the period of above-average distribution, at least until (if) the marketing business is sold.

PerfectBot will use the potential of GPT models. Currently, the company is rebuilding the product to use the full potential of GPT models, and in the second quarter it plans to increase the number of US customers testing PerfectBot GPT (a dozen or so entities). Commencement of commercialization is planned for 3Q23.

Results forecast. We present restated annual results for the years 2021-22 and in the forecast period with the marketing segment in discontinued operations, which means that practically only the Fabrity business affects revenues and operating results. We assume that it will be more difficult to attract new customers this year due to the weakness of the entire market and, consequently, we expect revenue growth to slow down from +26% y/y in 2023 to +16% in 2024, with a similar operating margin. Dividend payment in Q4 will reduce financial income in subsequent quarters, which will result in a lower than EBIT increase in net profit in 2023. Below EBIT, we assume a positive contribution from the marketing segment of PLN 1.9m in 2023 and PLN 1.8m in 2024, minority interest profits in Fabrity (PLN 1.1 million and PLN 1.3 million, respectively) and a loss of approximately PLN 0.5 million annually attributed to the 50% stake in PerfectBot.

Valuation. Our target price is based on DCF (PLN 36.3) and total-of-the-parts (PLN 39.2) valuations. In the sum-of-the-parts valuation, we rely on the Polish peer group for Fabrity, the valuation from the last financing round less a 10% discount for PerfectBot, and target EV/EBITDA and EV/EBIT ratios for marketing.

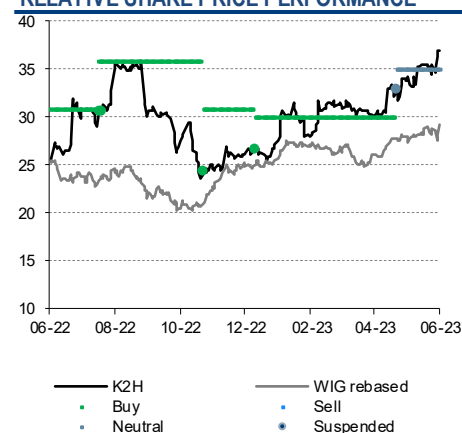
PLN m	2020	2021	2022	2023F	2024F	2025F
Sales	119,7	40,7	53,4	67,5	78,2	87,4
EBITDA	14,7	7,4	7,6	9,5	10,7	11,8
EBIT	8,0	5,0	5,0	7,0	8,0	8,8
Net profit	4,0	3,7	24,2	6,5	7,0	7,7
EPS (PLN)	1,74	1,62	9,82	2,65	2,82	3,11
P/E (x)	21,2	22,8	3,8	13,9	13,1	11,9
EV/EBITDA (x)	5,8	10,2	9,4	8,8	7,3	6,3
P/BV (x)	3,3	3,0	2,7	3,0	2,8	2,5
DY (%)	0,0%	1,2%	21,4%	10,8%	5,1%	5,1%

Source: company, Trigon DM

FACT SHEET

Ticker	K2H		
Sector	IT		
Price (PLN)	36,90		
52wk Range (PLN)	22 / 36		
Number of share (m)	2,5		
Market Cap (mPLN)	91		
Free-float	48,5%		
Avg Vol 3M (mPLN)	0,04		
Price performance	1M	3M	1Y
	0,0%	3,0%	25,6%

RELATIVE SHARE PRICE PERFORMANCE



Recommendation history	Date	Price
Hold	24.04.2023	35,00
Buy	12.12.2022	30,00
Buy	24.10.2022	31,00
Buy	21.07.2022	36,00
Buy	18.07.2022	36,00

Shareholders	Share %
IPO UNIPESOAŁ LDA	26,1%
Janusz Żebrowski	15,7%
FRAM FIZ	9,8%

Important dates

Quarterly results	31.08.2023
Quarterly results	23.11.2023

Analyst

Dominik Niszcz

K2 HOLDING

Bloomberg ticker

K2H PW

Recommendation
Target Price (PLN)

Buy
38,0

Current Price (PLN)
Upside

36,9
3%

Previous Recommendation
Previous Upside (PLN)

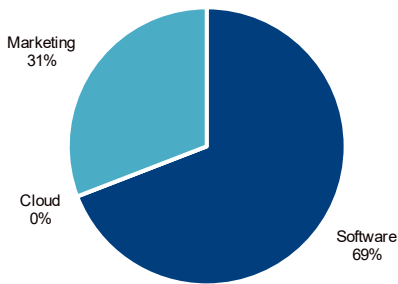
Buy
35,0

Number of shares (m)
Market Cap (mPLN)
EV (m PLN)

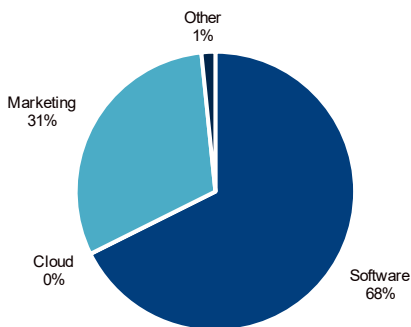
2,5
91
72

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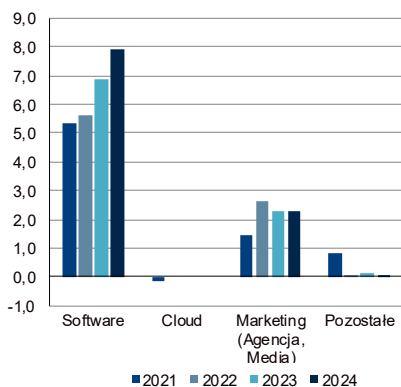
Structure of operating revenues in 2022



EBITDA split in 2022



EBIT structure by segment



MARKET RATIOS

	2021	2022	2023P	2024P	2025P
P/E (x)	22,8	3,8	13,9	13,1	11,9
P/E adj. (x)	22,8	16,3	13,9	13,1	11,9
P/BV (x)	3,0	2,7	3,0	2,8	2,5
EV/EBITDA (x)	10,2	9,4	8,8	7,3	6,3
EV/EBITDA adj. (x)	8,2	8,0	10,9	8,9	7,5
EV/Sales (x)	1,9	1,2	1,1	0,9	0,8
FCF Yield (%)	2,7%	-1,9%	3,6%	9,8%	10,2%
DY (%)	2,7%	21,4%	10,8%	5,1%	5,1%

RATIOS

	2021	2022	2023P	2024P	2025P
EPS (PLN)	1,6	9,8	2,6	2,8	3,1
EPS adj. (PLN)	1,6	2,3	2,6	2,8	3,1
DPS (PLN)	1,1	7,9	4,0	1,9	1,9
BVPS (PLN)	12,3	13,7	12,3	13,3	14,5
Number of shares (m)	2,3	2,5	2,5	2,5	2,5
Market Cap (mPLN)	86	91	91	91	91
EV (mPLN)	76	72	83	78	74

P&L (mPLN)

	2021	2022	2023P	2024P	2025P
Sales	40,7	53,4	67,5	78,2	87,4
COGS	-33,3	-43,8	-55,1	-63,7	-71,3
Gross profit	7,5	9,6	12,5	14,5	16,1
EBITDA	7,4	7,6	9,5	10,7	11,8
EBITDA adj.	9,2	8,9	7,7	8,8	9,8
D&A	-6,6	-4,8	-2,5	-2,7	-3,0
EBIT	5,0	5,0	7,0	8,0	8,8
Gross profit	4,6	27,1	7,1	7,9	8,7
Minority interest	0,7	0,8	1,1	1,3	1,4
Net profit	3,7	24,2	6,5	7,0	7,7
Net profit adj.	3,7	5,6	6,5	7,0	7,7

CASH FLOW STATEMENT (mPLN)

	2021	2022	2023P	2024P	2025P
Cash flow from operations	9,5	5,4	6,2	10,8	11,3
Cash flow from investing	-2,9	28,5	-1,2	-1,5	-1,7
CAPEX	-3,1	-2,7	-1,2	-1,5	-1,7
Cash flow from financing	-6,0	-24,8	-11,7	-6,7	-6,8
Dividend	-2,4	-19,5	-9,9	-4,7	-4,7
Leases	-4,5	-4,0	-2,5	-2,4	-2,3
FCF	2,0	-1,3	2,6	7,0	7,3
Net cash flow	0,6	9,1	-6,7	2,7	2,8

BALANCE SHEET (mPLN)

	2021	2022	2023P	2024P	2025P
ASSETS	59,6	60,9	65,2	67,0	70,1
PPE	3,5	4,4	10,0	7,4	5,3
Goodwill	1,2	0,0	0,0	0,0	0,0
Intangible assets	1,3	1,2	1,7	2,2	2,9
Cash and equivalents	10,1	17,8	11,1	13,8	16,6
EQUITY AND LIABILITIES	59,6	60,9	65,2	67,0	70,1
Equity	28,6	33,8	30,5	32,8	35,7
Minority shareholders capital	3,2	3,9	4,6	5,3	6,1
Interest-bearing liabilities	6,3	4,4	9,3	7,2	5,7
Net debt	-3,8	-13,4	-1,8	-6,6	-10,9
Net working capital	16,6	12,4	16,2	16,4	17,4

OPERATING INDICATORS

	2021	2022	2023P	2024P	2025P
Sales growth (%)	-66%	31%	26%	16%	12%
EPS adj. growth (%)	-7%	50%	17%	7%	10%
Gross profit margin (%)	18,3%	18,1%	18,4%	18,5%	18,4%
EBITDA adj. margin (%)	22,7%	16,7%	11,3%	11,3%	11,3%
Operating profit margin (%)	12,2%	9,3%	10,4%	10,2%	10,1%
Net profit adj. margin (%)	9,2%	10,5%	9,7%	8,9%	8,8%
ROE (%)	13,7%	17,9%	20,3%	22,0%	22,4%
ROA (%)	6,1%	9,3%	10,4%	10,5%	11,2%
CAPEX/Sales (%)	7,6%	5,1%	1,8%	1,9%	2,0%
CAPEX/D&A (x)	0,5	0,6	0,5	0,5	0,6
Net debt/Equity	-0,1	-0,4	-0,1	-0,2	-0,3
Net debt/EBITDA (x)	-0,5	-1,8	-0,2	-0,6	-0,9
Cash conversion cycle (days)	349	199	140	141	137
Inventory turnover (days)	0	0	0	0	0
Receivables turnover (days)	237	144	105	105	100
Liabilities turnover (days)	-112	-55	-34	-36	-36

Source: Company, Trigon DM

Valuation

Valuation Approach. After moving the results of marketing to discontinued operations in our forecasts, we change the weights of individual valuation methods in the calculation of the target price. We no longer take into account the comparative valuation, where 50% weighting were foreign companies from the marketing sector. Our target price is now based on the DCF valuation (PLN 36.3) and the total-of-the-parts valuation (PLN 39.2, including the Polish peer group for Fabrity, the valuation from the last financing round less a 10% discount for PerfectBot and EV/EBITDA and EV/EBIT ratios for marketing). In the sum-of-the-parts method, the Fabrity valuation range is set by comparison to a wider IT group (lower end) and only to two representatives of the software house sector (upper end).

DCF valuation

DCF valuation assumptions:

- 1) Risk-free rate at 6.0% in the detailed forecast period (previously 6.5%), and 5.0% on TV (unchanged);
- 2) 7.5% market premium (according to our methodology for entities below sWIG80);
- 3) Beta unleveraged 1.0x, residual growth rate 3.0% (previously 2.5%, we are increasing after excluding the marketing segment).

K2H: DCF valuation

	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	TV
Sales	67,5	78,2	87,4	92,7	98,2	104,1	110,4	117,0	124,0	
EBITDA	9,5	10,7	11,8	12,6	13,3	14,1	14,9	15,8	16,8	
EBIT	7,0	8,0	8,8	9,4	9,9	10,5	11,2	11,8	12,5	
Tax rate	19%	19%	19%	19%	19%	19%	19%	19%	19%	
NOPAT	5,7	6,5	7,2	7,6	8,1	8,5	9,0	9,6	10,2	
Amortization	2,5	2,7	3,0	3,2	3,4	3,6	3,8	4,0	4,2	
Capex	-1,2	-1,5	-1,7	-1,8	-1,9	-2,1	-2,2	-2,3	-2,5	
Lease payments	-2,5	-2,4	-2,3	-2,3	-2,3	-2,4	-2,4	-2,5	-2,5	
Net WC investments	-3,8	-0,2	-0,9	-0,8	-0,8	-0,9	-0,9	-1,0	-1,1	
M&A, other adjustments	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
FCF	0,7	5,2	5,2	5,8	6,3	6,8	7,3	7,8	8,4	8,8
Debt / (Debt + Equity)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
RFR	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	6,0%	5,0%
Market premium	7,5%	7,5%	7,5%	7,5%	7,5%	7,5%	7,5%	7,5%	7,5%	7,5%
Unlevered beta	1,00	1,00	1,00	1,00	1,00	1,00	1,00	1,00	1,00	1,00
Levered beta	1,00	1,00	1,00	1,00	1,00	1,00	1,00	1,00	1,00	1,00
Debt cost to tax (%)	6,1%	6,1%	6,1%	6,1%	6,1%	6,1%	6,1%	6,1%	6,1%	5,3%
Equity cost (%)	13,5%	13,5%	13,5%	13,5%	13,5%	13,5%	13,5%	13,5%	13,5%	12,5%
WACC (%)	13,5%	13,5%	13,5%	13,5%	13,5%	13,5%	13,5%	13,5%	13,5%	12,5%
PV FCF sum 2021-29	31									
FCF growth ratio in TV	3,0%									
Discounted TV	29									
Net debt, other adj.	-19									
Equity value (mln PLN)	79									
Number of shares (mln)	2,5									
1 share value PLN	32,0									
Dividend per share paid out	0,00									
12m TP	36,3									

		10,5%	11,5%	WACC TV 12,5%	13,5%	14,5%
	2,0%	38,0	36,3	34,9	33,8	32,8
	2,5%	39,0	37,1	35,6	34,3	33,3
g	3,0%	40,1	38,0	36,3	34,9	33,8
	3,5%	41,4	39,0	37,1	35,6	34,3
	4,0%	42,9	40,1	38,0	36,3	34,9

Source: Trigon DM

Sum-of-the-parts and peer group valuation

SUM-OF-THE-PARTS VALUATION

Fabrity

Company	P/E trailing - IT	P/E trailing - software houses only		
Spyrosoft	18,3	18,3		
Comarch	11,8	-		
Asseco Poland	13,8	-		
Ailleron	15,5	15,5		
Median	14,7	16,9		
Fabrity est. net profit LTM (PLN mn)	4,9	4,9	Valuation per share	
Fabrity valuation (PLN mn)	71,4	82,4	min	max
Valuation of 80% stake in Fabrity (PLN mn)	57,1	65,9	23,2	26,7

PerfectBot

	mln PLN	mln PLN	Valuation per share	
			min	max
Lates financing round, 10% discount	7,5	7,5	3,0	3,0

Other (Marketing, other, cash)

	Target EV/EBITDA	Target EV/EBIT		
Target multiple	6,5	7,5		
Adj. EBITDA 2023e (PLN mn)	2,7	0,0		
Adj. EBIT 2023e (PLN mn)	0,0	2,4	Valuation per share	
Net cash (eof 1Q23)	9,9	9,9	min	max
Valuation (PLN mn)	27,1	28,1	11,0	11,4

Podsumowanie

	PLN mn	PLN mn	per share min	per share max
Fabrity	57,1	65,9	23,2	26,7
PerfectBot	7,5	7,5	3,0	3,0
Other and cash	27,1	28,1	11,0	11,4
Valuation summary (PLN per share)			37,2	41,1
Average valuation per share			39,2	

Source: Bloomberg, companies, Trigon DM

K2H: Peer group valuation

Company	MC [m EUR]	EV/EBITDA			P/E		
		2022P	2023P	2024P	2022P	2023P	2024P
GLOBANT SA	7 571	18,2	15,3	12,4	32,1	26,9	22,3
ENDAVA PLC- SPON ADR	4 223	12,2	11,2	9,3	19,3	18,0	15,3
GRID DYNAMICS HOLDINGS INC	1 259	8,7	6,3	4,9	24,0	17,1	13,7
EPAM SYSTEMS INC	19 983	15,3	12,8	10,7	24,1	20,5	17,2
Median: IT foreign (weight 0%)		13,8	12,0	10,0	24,0	19,2	16,3
WPP PLC	9 346	6,5	6,2	6,0	8,6	8,0	7,4
PUBLICIS GROUPE	13 265	6,7	6,5	6,2	10,6	10,1	9,7
OMNICOM GROUP	13 639	8,7	8,2	7,9	12,3	11,5	10,7
Median: marketing foreign (weight 50%)		6,7	6,5	6,2	10,6	10,1	9,7
ASSECO POLAND		5,4	5,0	4,7	14,9	14,4	13,9
COMARCH		4,3	3,6	3,3	12,5	11,1	10,6
ASSECO BUSINESS SOLUTIONS		9,1	8,4	7,8	14,2	13,2	12,4
Median: IT domestic (weight 50%)		5,4	5,0	4,7	14,2	13,2	12,4
average weighted		7,8	7,1	6,4	15,8	14,0	12,7
Valuation per share		27,5	28,8	28,7	41,7	39,4	39,4
average weighted for multiples			28,3			40,2	
average weighted valuation				34,2			

Source: Bloomberg, Trigon DM

Risk factors

- Risk related to increased competition in the software house segment
- General economic situation
- Risk of losing customers
- Risk of losing key employees
- The risk of failure of the PerfectBot project
- Risk related to customers' failure to meet payment deadlines
- Currency risk (most of Fabrity revenues is denominated in foreign currencies)

The abovementioned risk factors were covered in detail in the initiation report.

Income statement (PLNm)

	2020	2021	2022	2023E	2024E	2025E
Revenues	119,7	40,7	53,4	67,5	78,2	87,4
Operating expenses	-104,1	-33,3	-43,8	-55,1	-63,7	-71,3
Gross profit from sales	15,6	7,5	9,6	12,5	14,5	16,1
Sales expenses	0,0	0,0	0,0	0,0	0,0	0,0
Management costs	-8,9	-2,5	-4,7	-5,8	-6,7	-7,4
Profit from sales	6,7	4,9	5,0	6,7	7,8	8,6
Result on other operating activity	1,3	0,0	0,0	0,3	0,2	0,2
EBITDA	14,7	7,4	7,6	9,5	10,7	11,8
EBITDA adj.	13,5	9,2	8,9	7,7	8,8	9,8
Amortization	-6,7	-6,6	-4,8	-2,5	-2,7	-3,0
EBIT	8,0	5,0	5,0	7,0	8,0	8,8
Financial net	-1,0	-0,3	22,1	0,1	-0,1	-0,2
Gross profit	7,0	4,6	27,1	7,1	7,9	8,7
Income tax	-2,1	-1,0	-3,0	-1,4	-1,5	-1,6
Minority interest	0,8	0,7	0,8	1,1	1,3	1,4
Net profit	4,0	3,7	24,2	6,5	7,0	7,7
Net profit adj.	4,0	3,7	5,6	6,5	7,0	7,7
gross margin from sales	13,0%	18,3%	18,1%	18,4%	18,5%	18,4%
EBITDA adj. margin	12,3%	18,2%	14,2%	14,1%	13,7%	13,5%
EBIT margin	11,3%	22,7%	16,7%	11,3%	11,3%	11,3%
net profit adj. margin	6,7%	12,2%	9,3%	10,4%	10,2%	10,1%
	3,4%	9,2%	10,5%	9,7%	8,9%	8,8%
sales grow th y/y						
gross profit from sales grow th y/y	9%	-66%	31%	26%	16%	12%
EBITDA adj. grow th y/y	115%	-52%	29%	29%	16%	11%
EBIT grow th y/y	146%	-32%	-4%	-14%	15%	11%
net profit adj. grow th y/y	-	-38%	0%	41%	14%	10%
net profit adj. grow th y/y	-	-7%	50%	17%	7%	10%

Source: the company, Trigon Brokerage House

Cash Flow (PLNm)

	2020	2021	2022	2023E	2024E	2025E
Cash flows from operating activities	17,1	9,5	5,4	6,2	10,8	11,3
Net profit (loss)	4,0	3,7	24,2	6,5	7,0	7,7
Amortization	6,7	6,6	4,8	2,5	2,7	3,0
Changes in working capital	3,3	-2,4	-6,3	-3,8	-0,2	-0,9
Inventory changes	0,0	0,0	0,0	0,0	0,0	0,0
Trade receivables change	-0,3	0,0	-5,1	-5,0	-1,2	-1,7
Trade liabilities change	0,3	-2,4	-1,1	1,2	0,9	0,8
Other	3,1	1,6	-17,4	1,0	1,4	1,6
Cash flows from investment activities	-3,1	-2,9	28,5	-1,2	-1,5	-1,7
CAPEX	-2,9	-3,1	-2,7	-1,2	-1,5	-1,7
Other	-0,2	0,2	31,2	0,0	0,0	0,0
Cash flows from financial activities	-8,5	-6,0	-24,8	-11,7	-6,7	-6,8
Interest-bearing liabilities change	-3,2	1,2	-1,8	0,0	0,0	0,0
Revenues from shares emission	-0,6	0,0	0,0	0,0	0,0	0,0
Dividend	0,0	-2,4	-19,5	-9,9	-4,7	-4,7
Other	-4,7	-4,7	-3,5	-1,9	-2,0	-2,1
Net cash flow s	5,5	0,6	9,1	-6,7	2,7	2,8
Cash opening balance	4,1	9,6	10,1	17,8	11,1	13,8
Closing balance of cash	9,6	10,1	17,8	11,1	13,8	16,6

Source: the company, Trigon Brokerage House

Balance sheet (PLN m)

	2020	2021	2022	2023E	2024E	2025E
Fixed assets	23,1	8,7	9,3	15,3	13,3	11,8
Tangible fixed assets	9,4	3,5	4,4	10,0	7,4	5,3
Intangible assets	7,7	1,3	1,2	1,7	2,2	2,9
Company's value	1,2	1,2	0,0	0,0	0,0	0,0
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	4,7	2,6	3,6	3,6	3,6	3,6
Current assets	39,4	51,0	51,6	49,9	53,7	58,3
Inventory	0,0	0,0	0,0	0,0	0,0	0,0
Trade receivables	27,6	25,2	17,0	22,0	23,1	24,9
Other	2,1	15,6	16,8	16,8	16,8	16,8
Cash	9,6	10,1	17,8	11,1	13,8	16,6
Assets	62,5	59,6	60,9	65,2	67,0	70,1
Equity	26,1	28,6	33,8	30,5	32,8	35,7
Share capital	2,3	2,3	2,5	2,5	2,5	2,5
Other	19,8	22,5	7,1	21,5	23,3	25,6
Net profit (loss)	4,0	3,7	24,2	6,5	7,0	7,7
Minority capital	2,5	3,2	3,9	4,6	5,3	6,1
Long-term liabilities	7,4	2,7	3,8	9,6	8,1	6,6
Interest-bearing liabilities	4,7	1,0	2,8	7,8	6,3	4,8
Other	2,7	1,8	1,0	1,8	1,8	1,8
Short-term liabilities	26,4	25,0	19,4	20,5	20,9	21,6
Interest-bearing liabilities	4,2	5,3	1,6	1,5	0,9	0,9
Trade liabilities	11,8	8,6	4,6	5,8	6,7	7,5
Other	10,5	11,1	13,2	13,2	13,2	13,2
Liabilities	62,5	59,6	60,9	65,2	67,0	70,1
Net working capital	15,8	16,6	12,4	16,2	16,4	17,4
Net debt	-0,8	-3,8	-13,4	-1,8	-6,6	-10,9
Net debt corr.	-0,8	-3,8	-13,4	-1,8	-6,6	-10,9
Net debt /EBITDA (x)	-0,1	-0,5	-1,8	-0,2	-0,6	-0,9
Net debt /equity (x)	0,0	-0,1	-0,4	-0,1	-0,2	-0,3
ROE (%)	17%	14%	18%	20%	22%	22%
ROA (%)	7%	6%	9%	10%	11%	11%
Cash conversion cycle (days)	123	349	199	140	141	137
Inventory turnover (days)	0	0	0	0	0	0
Receivables turnover ratio (days)	83	237	144	105	105	100
Accounts payable turnover ratio (days)	-40	-112	-55	-34	-36	-36

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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
OCF – cash generated through the operational activities of the company
FCF – cash generated by the company after taking into account outflows to support operations and retained capital

ROA – rate of return on assets
ROE – rate of return on equity
NWC – net working capital
Cash conversion cycle – period from the moment of expenditure of cash for the purchase of production factors until the moment of receipt of cash revenues from the sale of manufactured goods or services.

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

RFR - risk-free rate
WACC - weighted average cost of capital
ISSUER – K2 Holding S.A.

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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%
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Recommendation prepared by: Dominik Niszczyński

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