

## Wielton

**Buy**

(Previous: Buy; PLN 11,7)

**TP: 9,1 PLN**

**Cur. price: 5,57 PLN**

**Upside: 63%**

**#Q2'22 forecast.** We assume sales volumes of 6,000 units, compared to 6,100 units in Q1'22. France will remain the dominant market in our view (1,400 units) ahead of Poland (1,250) and the UK (1,200). We expect around 550 units to be added by the German market, 300 by the Italian market and 200 by the Spanish market. In the Russian market, we estimate sales of 300 units in Q2'22 against 355 in Q1'22; we assume no sales in this market in the following quarters and years. GM will, in our view, remain at a similar level to Q1'22 at around 9.5%, down 4pp y/y. The most impactful in Q2'22 seems to have been the price increases in steel, aluminium and timber in our view (Q2 production was based on purchases from lut-kwi). The RMI index covers only the largest of the contracts, so a significant part of the backlog is exposed to material and component prices. In the next quarter, we see room for a 2pp q/q improvement in MBnS due to lower metal prices. PZPM data shows that the relatively worse performing product group at the moment is tippers (slowdown in residential construction, lack of KPO).

**#Debt.** We expect net debt to remain at ca. PLN 500m, which, given our forecasted decline in LTM EBITDA to PLN 115m (Q2'21 EBITDA was PLN 48m), implies a ND/EBITDA of 4.4x. The key factor for the company remains the reduction in net working capital, which currently stands at over PLN 350m, and its increase is related to the increase in component prices and delays in the receipt of ordered products by customers who are waiting for purchased trucks.

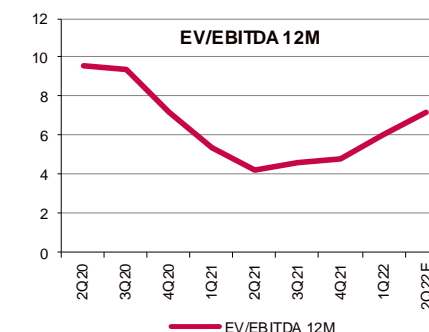
**#Energy.** The Group's annual electricity consumption is approximately 82 GWh, with the Polish sites at approximately 57 GWh (2021). The current multi-year contract was concluded at relatively low energy prices of <300 PLN/MWh and is valid until the middle of next year. The additional costs associated with the price increase over the 12 months following the entry of the new price lists for the Wieluń plant may amount to approximately PLN 40m (at PLN 1000/MWh). In the face of such high prices, we expect announcements regarding investments in PV installations at the company's sites.

**#Forecast changes.** This year's sales volume is assumed at 22.8k. (previously 22.5k), which implies a slowdown in H2'22 sales to 5.5k/Q. As a result of the observed slowdown, we expect a deterioration in sentiment at transport companies (lower consumer demand for durable goods > lower industrial activity > lower demand for transport services), which, in addition to a shortage of employees, are experiencing increasing wage pressure, rising fuel prices and lease instalments, and some CEE companies have lost some business to eastern markets, we assume declines in volumes in 2023. (We reiterate long-term assumptions for 2026: 27,500 units and 29,000 units in 2030. The reduction in our valuation is related to the increase in the RFR from 5% to 6%, the direct impact of which on the valuation was PLN -2/share.

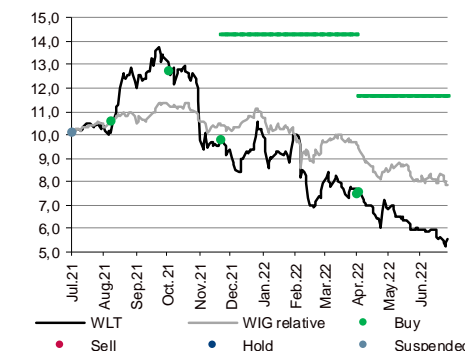
Financial report  
15.09.2022

Company data	Recommendation history	Date	Price
Ticker	WLT	Buy	22.04.2022 11,7
Sector	Industry	Buy	20.04.2022 11,7
Price (PLN)	5,6	Buy	09.12.2021 14,3
52w min/max (PLN)	5,22 / 10,52	Buy	21.10.2021 15,9
Shares (m)	60,4	Buy	27.08.2021 16,0
MC (PLNm)	336	Suspended	20.07.2021 b.d.
Free-float	0	Suspended	21.04.2021 b.d.
Avg. 3M turnover (PLNm)	0,50	Suspended	10.12.2020 b.d.
Price chng.	1M 7,9%	3M 30,3%	1Y -14,7%

P/E 12M vs EV/EBITDA 12M



WIG vs. WLT chart



mPLN	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22E	y/y	q/q
Sales	342	488	515	633	675	621	767	814	813	20%	0%
EBITDA	6	34	40	44	48	29	24	37	25	-47%	-30%
EBIT	-8	19	23	28	31	12	8	18	7	-78%	-62%
Net profit	8	11	19	19	21	5	2	9	-1	-	-
P/E12M trailing	17,8	19,3	10,8	6,0	4,8	5,2	7,1	9,0	21,8		
EV/EBITDA 12M trailing	9,5	9,3	7,2	5,4	4,2	4,6	4,8	6,0	7,2		
sales growth y/y	-50%	-5%	2%	34%	97%	27%	49%	29%	20%		
EBITDA margin	1,8%	7,0%	7,8%	6,9%	7,1%	4,6%	3,2%	4,5%	3,1%		
EBIT margin	-	3,9%	4,4%	4,4%	4,6%	1,9%	1,0%	2,3%	0,9%		
Net margin	2,3%	2,3%	3,6%	3,0%	3,2%	0,9%	0,2%	1,1%	-		

mPLN	2019	2020	2021	2022E	2023E	2024E
Sales	2 343	1 817	2 696	3 058	2 816	3 267
EBITDA	142	98	144	140	176	219
EBIT	90	37	79	66	103	147
Net profit adj.	39	9	47	30	62	99
EPS (PLN)	0,95	0,5	0,8	0,5	1,0	1,6
DPS (PLN)	0,3	0,0	0,3	0,2	0,0	0,5
P/E adj. (x)	5,8	10,8	7,1	11,2	5,4	3,4
EV/EBITDA (x)	5,2	7,2	4,8	5,7	4,1	3,2
P/BV (x)	0,9	0,8	0,8	0,8	0,7	0,6
DY (%)	5,9%	0,0%	5,9%	3,6%	0,0%	9,0%

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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

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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%

SELL – we expect that an investment will make a loss greater than 0%

Recommendation prepared by: Grzegorz Kujawski, Maciej Marcinowski, David Sharma, Dominik Niszcz, Michał Kozak, Kacper Koproń, Katarzyna Kosiorek, Łukasz Rudnik, Piotr Rychlicki, Piotr Chodyra

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