

Wielton

Buy
(Previous: Buy; PLN 8,6)

TP: 11,4 PLN
Cur. price: 8,69 PLN
Upside: 31%

Q1'23 forecast. We assume sales of 5675 units, which is a comparable level to Q4'22, even though historically Q1 was characterised by higher seasonality. It is important to keep in mind the reduced backlog in H2'22, which will probably not allow the company to fully utilise the available capacity. At the end of Q1'23, the backlog fell to 5,000 units, suggesting a sales bottom in the period. The quarter-on-quarter improvement we assume is mainly due to lower COGS (declines in steel prices, a new approach to procurement management from headquarters, and increased pressure on suppliers due to the growing scale of the business) and a sustained reduction in SG&A costs to the levels seen in Q4'22 (we assume increases in the second half of the year as we expand capacity and invest in our own component manufacturing). We assume an average selling price of PLN 156k which implies PLN 890m in revenue, with GM of 13.6% (+3.8pp y/y, +0.3pp q/q).

#Outlook

- Maintain sales targets for '23, 23500 sales, 3.6m revenues and 5.9% EBITDA margin (~PLN 212m)
- Decrease in SG&A costs in Q4'22 is a result of ongoing cost-savings programmes and will be sustainable, lower costs also visible in subsequent quarters
- The Group is currently reviewing suppliers looking to optimise material and component procurement costs across the group, which should have a positive impact on COGS
- Q1'23 results will be above the trajectory implied by the annual forecast of PLN 212m EBITDA, slowing results in Q2'23 due to lower orders/sales levels
- Management expects more price pressure from customers due to lower order flow
- Management reiterates willingness to pay dividend from 2022 profit and/or buy back shares
- Strategy to be presented at the end of Q2'23
- Slight year-on-year increase in inventories is a result of both a decrease in finished goods (pickup by customers who waited for trucks) and optimization efforts at all companies in the group
- The PLN 12m write-down of non-financial receivables related to the reversal of a previously recognised gain on BI
- This year's capex will amount to PLN 180m, with the smallest portion attributable to Q1'23 (automation and robotics processes, vertical integration and digitalization, hydroforming, steel profile production - rollforming)
- The Company is talking to banks about expanding the consortium of banks financing the development in the context of the planned investments

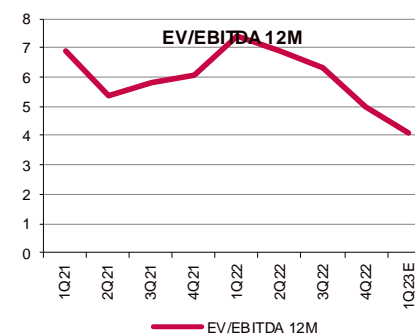
Comment: We view the outcome of the conference positively, despite the observed slowdown in the backlog. The company's savings programmes are bearing fruit with a sustained reduction in SG&A costs. Management also expects a reduction in COGS due to the ongoing supplier review and further integration of purchasing processes in the Group, which signals maintenance or even improvement of GM in the Q1'23 outlook. In Q2'23, a temporary slowdown in deliveries to customers who are currently postponing their purchasing decisions is expected. The reorganisation measures should allow for positive EBITDA at FRU and Wielton GmbH this year. Given the good start to the year, the realisation of this year's EBITDA forecast of PLN 212m appears to us to be in no danger and we see room for positive surprises. The Management Board is currently in the process of finalising new bank financing with an expanded consortium of banks for the next investment programme, this year's outlays will amount to c. PLN 180m. (Lukasz Rudnik, 887 309 797)

mPLN	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23E	y/y	q/q
Sales	633	675	621	767	814	822	860	937	888	9%	-5%
EBITDA	44	48	29	24	37	61	48	57	72	98%	26%
EBIT	28	31	12	8	18	44	31	38	53	190%	42%
Net profit	19	21	5	2	9	75	8	22	33	264%	46%
P/E12M trailing	9,3	7,5	8,2	11,1	14,0	5,8	5,6	4,6	3,8		
EV/EBITDA 12M trailing	6,9	5,4	5,8	6,1	7,4	6,9	6,3	5,0	4,1		
sales growth y/y	34%	97%	27%	49%	29%	22%	38%	22%	9%		
EBITDA margin	6,9%	7,1%	4,6%	3,2%	4,5%	7,4%	5,6%	6,1%	8,1%		
EBIT margin	4,4%	4,6%	1,9%	1,0%	2,3%	5,3%	3,6%	4,0%	6,0%		
Net margin	3,0%	3,2%	0,9%	0,2%	1,1%	9,1%	0,9%	2,4%	3,7%		

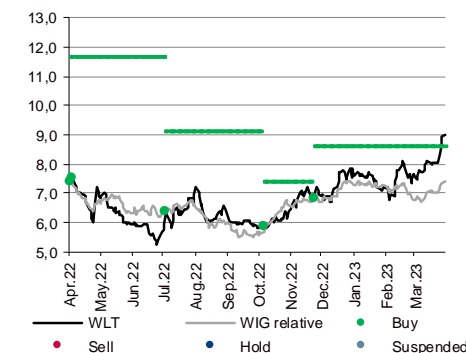
Financial report 25.05.2023

Company data	Recommendation history	Date	Price	
Ticker	WLT	Buy	12.12.2022	8,6
Sector	Industry	Buy	24.10.2022	7,4
Price (PLN)	8,7	Buy	21.07.2022	9,1
52w min/max (PLN)	5,22 / 10,52	Buy	22.04.2022	11,7
Shares (m)	60,4	Buy	20.04.2022	11,7
MC (PLNm)	525	Buy	09.12.2021	14,3
Free-float	-	Buy	21.10.2021	15,9
Avg. 3M turnover (PLNm)	0,50	Buy	27.08.2021	16,0
Price chng.	1M 7,9%	3M 30,3%	1Y -14,7%	

P/E 12M vs EV/EBITDA 12M



WIG vs. WLT chart



mPLN	2020	2021	2022	2023E	2024E	2025E
Sales	1 817	2 696	3 433	3 610	3 810	3 939
EBITDA	98	144	203	220	255	272
EBIT	37	79	131	141	163	175
Net profit adj.	12	46	107	76	100	115
EPS (PLN)	0,52	0,8	1,9	1,3	1,6	1,9
DPS (PLN)	0,0	0,3	0,0	0,3	0,3	0,5
P/E adj. (x)	16,9	11,1	4,6	6,9	5,3	4,6
EV/EBITDA (x)	9,1	6,1	5,0	4,8	4,1	3,8
P/BV (x)	1,3	1,2	0,9	0,9	0,8	0,7
DY (%)	0,0%	3,8%	0,0%	3,8%	3,8%	5,8%

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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

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

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