

Flash Note

Poland | Equity Research

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MFO (BUY, 45,6 PLN)

Preliminary Q2'23 results [negative].

mIn PLN	1Q22	2Q22	3Q22	4Q22	1Q23W	Y/Y	Q/Q	1Q23P
Przychody	295,1	295,3	187,2	145,2	151,7	-49%	4%	188,4
EBITDA	23,4	37,0	-4,9	-14,8	5,4	-	-	11,3
EBIT	21,8	35,4	-6,6	-16,6	3,6	-	-	9,6
Zysk netto	16,8	28,5	-4,0	-16,7	1,4	-	-	6,8
P/E 12M trailing	1,9	2,0	4,2	10,2	27,2			
EV/EBITDA 12M trailing	1,3	1,5	3,1	5,9	10,6			
zmiana przychodów r./r.	67%	26%	-42%	-43%	-49%			
marża EBITDA	7,9%	12,5%	-	-	3,6%			6,0%
marża EBIT	7,4%	12,0%	-	-	2,4%			5,1%
marża netto	5,7%	9,6%	-	-	0,9%			3,6%

Źródło: dane spółki, Trigon DM

- The company points to "a drastic drop in demand for construction products in the reporting period, (...) a decline in apparent steel consumption in Poland by almost 20% y/y and in Germany by almost 30%, (...) an intensification of wage pressure and an increase in operating costs, (...) the strengthening of the PLN against the EUR, which weakened the export position and affected sales profitability. There was also a return to lowest-price competition, (...) not only among Polish steel producers. (...) As a result, the company's sales volumes fell by almost 40%."

Comment: We are negative on the preliminary Q2'23 results. We had expected earnings to stabilise at Q1'23 levels, but due to very weak demand and high volatility of steel prices, the company apparently had a negative FIFO effect again, which translated into a loss in Q2'23, as evidenced by the comment on very strong price pressure from competitors. We had expected the company to achieve EBITDA and net profit of PLN 32m and PLN 16m respectively this year, which now looks unattainable given the H1'23 results. According to the current report, sales volumes in H1'23 declined by c.40% y/y and we do not see any signs of improvement in H2'23 due to the ongoing downturn in the European construction sector. According to GUS Q2'23 data, the outlook for the plastic windows segment has deteriorated significantly, with production falling by 19% YoY (in July the decline reached 12% YoY, ytd -15%). The improvement in earnings should in turn be positively influenced by the stabilisation of steel prices, which have been moving sideways for several months, minimising the risk of a negative FIFO effect, and the weakening of the PLN against the EUR, as around 50% of sales are realised on export markets. For the time being, we maintain our long-term assumptions of an EBITDA margin of PLN 350-400 per tonne of steel profiles sold (our current capacity is approximately 180,000 tonnes of profiles per year), but this year the margin will be significantly lower due to the unstable price situation on the steel market in H1'23 and the significant decline in sales volumes as a result of both weak demand and growing competitive pressure. (Łukasz Rudnik).

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