

Research

Poland | Equity Research

Research Department

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Selena FM

Market weakness an opportunity to strengthen

We initiate our coverage of Selena FM with a price target of PLN 40.4 and a BUY recommendation. Despite unfavourable demand trends in the construction materials market in Europe, which will put pressure on sales and gross margin over the next 12 months, we appreciate the company's growth in recent years and note the strong fundamentals that will support further business development. Over the last five and ten years, the sales CAGR has been 10.7% and 6.4% respectively. The company's history has been underpinned by numerous mergers and acquisitions, and we expect the strategy of building shareholder value through acquisitions to continue well into the future. The acquisition of Imperialum in Portugal is arguably one of the first steps in expanding its geographic and product presence in Europe. As well as focusing on its core segment, the company also sees potential in developing its offering in complementary ways, as exemplified by the joint investment with Masterplast in glass wool.

The downturn in the construction industry provides an opportunity for further acquisitions. We expect the company to continue its M&A-driven strategy in the coming quarters. Given the low level of debt at the end of Q1'23 (PLN 66m) and the potential to generate recurring EBITDA in the range of PLN 150-175m, while maintaining the DN/EBITDA ratio at 2.5x, the company has the potential to generate approx. PLN 300-375m of cash for potential acquisitions (vs. <PLN 50m for a 90% stake in Imperialum). We expect further acquisitions to be focused on Western and Central European countries, and only as a next step will the company decide to go outside Europe. We do not rule out a scenario where acquisitions are aimed at adding complementary products to the current product portfolio.

Falling raw material prices and competitive pressure may lead to deflation in construction chemicals prices. Since the beginning of the year, the prices of the basic chemical raw materials used by the company have fallen. Given that raw material consumption costs account for around 50% of sales, the current decline in TKW is encouraging competitors to fight more aggressively for market share in a situation of limited demand. PSB's data does not yet indicate deflation in construction chemicals prices (visible stabilisation), but we believe such a scenario is very likely in the coming quarters.

Significant scope for cost optimisation. The average gross sales margin between 2018 and 2022 was on average 6.6pp lower for domestic companies and 9.6pp lower for foreign companies. For the EBITDA margin, the difference was 3.6 pp and 7.2 pp respectively. It appears that the company has the potential to improve margins in the medium to long term by implementing appropriate cost optimisation programmes. Our forecasts take a conservative approach to the assumed EBITDA margin (8% on average over the forecast period), but we note the upside potential in this area for our valuation.

The EU's policy on energy-efficient buildings is gaining momentum. Over the next few years, the momentum for building insulation in the EU is expected to increase, partly funded by national NIPs. In Poland, more than 662,000 applications have been submitted under the Clean Air Programme (as of 4 August '23), for a total of more than PLN 16.4 billion. In Italy, the Superbonus programme has been in place since 2020, offering a 110% tax credit for thermomodernisation (as of July '22, 220,000 applications had been accepted under the programme for a total of EUR 44bn). In Germany, EUR 56.3bn will be made available for building modernisation and renovation between 2023 and 2026. We believe that the secondary market will largely compensate for the loss of demand from the primary market as a result of central banks' monetary policy.

Valuation. Our target price of PLN 40.4 is based on a DCF model. The comparative valuation implies a PER of PLN 41.7, which is PLN 32.9/share based on the domestic peer group only and PLN 50.5/share based on the foreign peer group only. Based on our 2024-25 forecasts, the company is valued at 8.6x and 6.2x PER, respectively, and with a target price of PLN 40.4, the PER is 13.7x and 9.9x, respectively.

mIn PLN	2020	2021	2022	2023F	2025F	2025F
Sales	1 384,7	1 728,4	1 963,3	1 890,2	1 954,0	2 050,0
EBITDA	165,7	136,8	199,2	121,2	145,0	169,5
EBIT	127,2	92,7	153,6	80,5	97,6	121,3
Net profit	76,2	102,7	112,1	48,6	67,2	93,0
EPS (PLN)	3,34	4,50	4,91	2,13	2,94	4,07
P/E (x)	7,6	5,6	5,2	11,9	8,6	6,2
EV/EBITDA (x)	3,6	4,8	2,8	4,8	3,6	2,8
P/BV (x)	1,1	1,0	0,8	0,8	0,7	0,7
DY (%)	0,0%	0,0%	0,0%	0,0%	2,0%	4,0%

Source: data of the company

Kupuj

(Inicjacja)

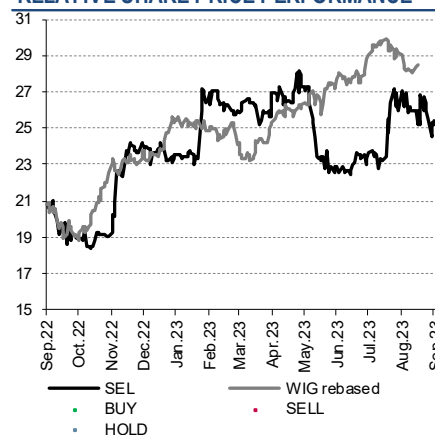
Cena docelowa: 40,4 PLN

Potencjał wzrostu: +60%

FACT SHEET

Ticker	SEL		
Sector	Building materials		
Price (PLN)	25,20		
52wk Range (PLN)	18 / 28,5		
Number of share (m)	22,8		
Market Cap (mPLN)	575		
Free-float	15,6%		
Avg Vol 3M (mPLN)	0,0		
Price performance	1M	3M	1Y
	-6,7%	10,0%	21,2%

RELATIVE SHARE PRICE PERFORMANCE



Recommendation history

Recommendation history	Date	Price

Shareholders

Shareholders	Share %
Syrius Investments S.a.r.l	78,0%
OFE Allianz Polska	6,4%

Important dates

Q2'23 report	15.09.2023
Q3'23 report	17.11.2023

Analyst

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Selena FM

Bloomberg ticker

SEL PW

Recommendation

Buy

Target Price (PLN)

40,4

Current Price (PLN)

25,3

Upside

60%

Previous Recommendation

-

Previous Upside (PLN)

-

Number of shares (m)

22,8

Market Cap (mPLN)

578

EV (m PLN)

554

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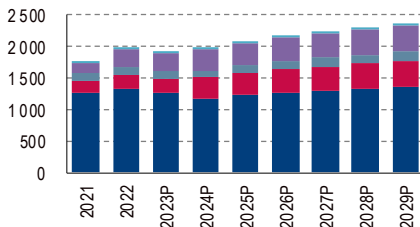
MARKET RATIOS

	2021	2022	2023P	2024P	2025P
P/E (x)	5,6	5,2	11,9	8,6	6,2
P/Eadj. (x)	6,1	5,8	11,6	8,6	6,2
P/BV (x)	1,0	0,8	0,8	0,7	0,7
EV/EBITDA (x)	5,2	2,8	4,8	3,6	2,8
EV/EBITDA adj. (x)	5,6	3,0	4,7	3,6	2,8
EV/Sales (x)	0,4	0,3	0,3	0,3	0,2
FCF Yield (%)	-10,9%	26,4%	-2,6%	13,5%	14,2%
DY (%)	0,0%	0,0%	0,0%	2,0%	4,0%

RATIOS

	2021	2022	2023P	2024P	2025P
EPS (PLN)	4,5	4,9	2,1	2,9	4,1
EPS adj. (PLN)	4,2	4,4	2,2	2,9	4,1
DPS (PLN)	0,0	0,0	0,0	0,5	1,0
BVPS (PLN)	26,3	31,3	33,4	35,8	38,9
Number of shares (m)	22,8	22,8	22,8	22,8	22,8
Market Cap (mPLN)	577,7	577,7	577,7	577,7	577,7
EV (mPLN)	659,4	553,7	580,4	524,8	470,7

Revenue forecast



■ Construction chemicals ■ Insulation chemicals
■ Other products ■ Goods
■ Services

P&L (mPLN)

	2021	2022	2023P	2024P	2025P
Sales	1 728	1 963	1 890	1 954	2 050
COGS	1 249	1 373	1 329	1 360	1 415
Gross profit	480	591	561	594	636
EBITDA	137	199	121	145	170
EBITDA adj.	127	183	123	145	170
D&A	44	46	41	47	48
EBIT	93	154	81	98	121
Gross profit	88	134	65	86	116
Minority interest	0	0	2	2	0
Net profit	103	112	49	67	93
Net profit adj.	95	99	50	67	93

CASH FLOW STATEMENT (mPLN)

	2021	2022	2023P	2024P	2025P
Cash flow from operations	-30	190	91	138	130
Cash flow from investing	-36	-38	-103	-60	-48
CAPEX	-33	-37	-106	-60	-48
Cash flow from financing	49	-91	-52	-23	-28
Dividend	0	0	0	-11	-23
FCF	-63	153	-15	78	82
Net cash flow	-17	61	-63	56	54

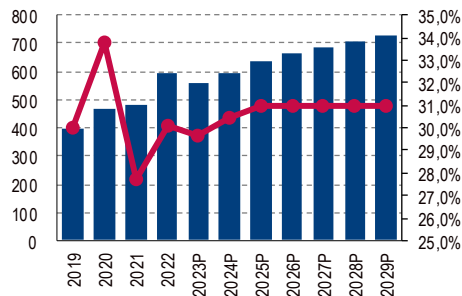
BALANCE SHEET (mPLN)

	2021	2022	2023P	2024P	2025P
ASSETS	1 109	1 171	1 204	1 255	1 335
PPE	261	288	359	371	371
Goodwill	0	0	0	0	0
Intangible assets	0	0	0	0	0
Cash and equivalents	96	158	97	153	207
EQUITY AND LIABILITIES	1 109	1 171	1 204	1 255	1 335
Equity	601	715	762	818	888
Minority shareholders capital	1	3	5	7	7
Interest-bearing liabilities	178	135	100	100	100
Net debt	82	-24	3	-53	-107
Net working capital	387	330	339	329	345

OPERATING INDICATORS

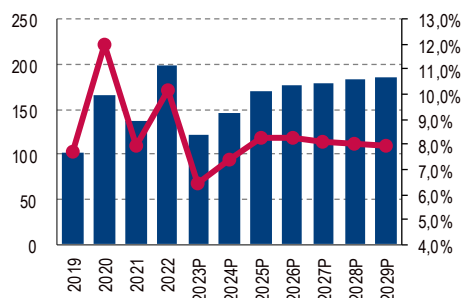
	2021	2022	2023P	2024P	2025P
Sales growth (%)	25%	14%	-4%	3%	5%
EPS adj. growth (%)	35%	9%	-57%	38%	38%
Gross profit margin (%)	27,8%	30,1%	29,7%	30,4%	31,0%
EBITDA adj. margin (%)	7,4%	9,3%	6,5%	7,4%	8,3%
Operating profit margin (%)	5,4%	7,8%	4,3%	5,0%	5,9%
Net profit adj. margin (%)	5,5%	5,1%	2,6%	3,4%	4,5%
ROE (%)	17%	15%	7%	9%	11%
ROA (%)	9%	9%	4%	5%	7%
CAPEX/Sales (%)	1,9%	1,9%	5,6%	3,1%	2,4%
CAPEX/D&A (x)	0,7	0,8	2,6	1,3	1,0
Net debt/Equity	0,1	0,0	0,0	-0,1	-0,1
Net debt/EBITDA (x)	0,6	-0,1	0,0	-0,4	-0,6
Cash conversion cycle (days)	72	72	69	67	64
Inventory turnover (days)	69	72	73	71	69
Receivables turnover (days)	59	54	54	52	50
Liabilities turnover (days)	56	54	58	56	55

Gross profit forecast



■ Gross profit — Gross margin

EBITDA forecast



■ EBITDA — EBITDA margin

Source: Company, Trigon DM

DCF valuation

DCF valuation assumptions:

- 1) Risk-free rate of 5.5% over the detailed forecast period, based on 10-year bonds
- 2) Market premium of 6% (in line with our methodology for smaller sWIG80 companies)
- 3) Unlevered beta of 1.0x, residual growth rate of 1.5%;
- 4) The valuation excludes cash flows related to the joint venture with Masterplast (glass wool production). We assume consolidation of Imperialum as of Q4'23 (annual revenues of approx. PLN 100m).

SEL: DCF valuation

DCF VALUATION	2022	2023P	2024P	2025P	2026P	2027P	2028P	2029P	2030P	2031P	2032P
Revenue	1963	1890	1954	2050	2135	2205	2275	2345	2410	2475	2540
EBITDA	199	121	145	170	176	179	183	186	189	191	193
<i>EBITDA margin</i>	<i>10,1%</i>	<i>6,4%</i>	<i>7,4%</i>	<i>8,3%</i>	<i>8,2%</i>	<i>8,1%</i>	<i>8,0%</i>	<i>7,9%</i>	<i>7,8%</i>	<i>7,7%</i>	<i>7,6%</i>
EBIT	154	81	98	121	127	131	135	138	140	143	144
<i>EBIT margin</i>	<i>7,8%</i>	<i>4,3%</i>	<i>5,0%</i>	<i>5,9%</i>	<i>6,0%</i>	<i>6,0%</i>	<i>5,9%</i>	<i>5,9%</i>	<i>5,8%</i>	<i>5,8%</i>	<i>5,7%</i>
<i>Effective tax rate</i>	<i>19,0%</i>	<i>19,0%</i>	<i>19,0%</i>	<i>19,0%</i>	<i>19,0%</i>	<i>19,0%</i>	<i>19,0%</i>	<i>19,0%</i>	<i>19,0%</i>	<i>19,0%</i>	<i>19,0%</i>
NOPLAT	124	65	79	98	103	106	109	112	114	115	117
Depreciation and amortisation	46	41	47	48	48	48	48	48	48	48	48
CAPEX	-37	-106	-60	-48	-48	-48	-48	-48	-48	-48	-48
Change in working capital		-9	10	-16	-14	-12	-12	-12	-11	-11	-11
FCF		-9	77	82	89	95	97	100	103	105	106
D/(E+D)		11,6%	10,9%	10,1%	9,4%	8,9%	8,4%	7,9%	7,5%	7,2%	6,8%
Leveraged beta		1,2	1,2	1,2	1,2	1,2	1,2	1,2	1,2	1,2	1,2
Cost of debt after tax		5,7%	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%
Cost of equity		12,7%	12,7%	12,6%	12,6%	12,6%	12,5%	12,5%	12,5%	12,5%	12,5%
WACC		11,9%	11,9%	11,9%	12,0%	12,0%	12,0%	12,0%	12,0%	12,0%	12,0%
Discount factor		0,89	0,80	0,71	0,64	0,57	0,51	0,45	0,41	0,36	0,32
Total DFCF		431									
Residual rate		1,5%									
Discounted residual value		332									
Net debt (cash)		-24									
Own shares		5									
Dividend paid		-32									
Minority interest*		-8									
Company value at (1.1.2023)		751									
Company value as at (15.9.2023)		818									
Number of shares (million)		22,8									
Company's value per share (15.9.2023)		35,8									
Target price 12M		40,4									
Current market price		25,3									
Discount / (premium)		59,7%									

Analiza wrażliwości	WACC				
	11,0%	11,5%	12,0%	12,5%	13,0%
0,0%	42,1	39,9	37,9	36,1	34,4
0,5%	43,1	40,8	38,7	36,7	35,0
1,0%	44,1	41,7	39,5	37,5	35,6
g 1,5%	45,3	42,7	40,4	38,2	36,3
2,0%	46,6	43,9	41,4	39,1	37,1
2,5%	48,1	45,1	42,5	40,1	37,9
3,0%	49,8	46,5	43,7	41,1	38,8

Source: Trigon DM, *including 10% minority shares worth PLN 5.3m based on transaction price

SEL: DCF Valuation Sensitivity Analysis

Sensitivity Analysis		WACC								
		9,9%	10,4%	11,0%	11,5%	12,0%	12,5%	13,0%	13,5%	14,0%
g	0,0%	47,2	44,5	42,1	39,9	37,9	36,1	34,4	32,8	31,4
	0,5%	48,4	45,6	43,1	40,8	38,7	36,7	35,0	33,3	31,8
	1,0%	49,9	46,9	44,1	41,7	39,5	37,5	35,6	33,9	32,3
	1,5%	51,5	48,2	45,3	42,7	40,4	38,2	36,3	34,5	32,9
	2,0%	53,3	49,8	46,6	43,9	41,4	39,1	37,1	35,2	33,5
	2,5%	55,3	51,5	48,1	45,1	42,5	40,1	37,9	35,9	34,1
	3,0%	57,6	53,4	49,8	46,5	43,7	41,1	38,8	36,7	34,8

Sensitivity Analysis		EBIT margin								
		3,6%	4,1%	4,6%	5,1%	5,6%	6,1%	6,6%	7,1%	7,6%
g	0,0%	21,2	25,4	29,6	33,7	37,9	42,1	46,3	50,4	54,6
	0,5%	21,7	25,9	30,2	34,4	38,7	42,9	47,1	51,4	55,6
	1,0%	22,2	26,5	30,8	35,2	39,5	43,8	48,1	52,5	56,8
	1,5%	22,7	27,1	31,6	36,0	40,4	44,8	49,2	53,6	58,0
	2,0%	23,3	27,8	32,4	36,9	41,4	45,9	50,4	54,9	59,4
	2,5%	24,0	28,6	33,2	37,8	42,5	47,1	51,7	56,3	60,9
	3,0%	24,7	29,5	34,2	38,9	43,7	48,4	53,1	57,9	62,6

Sensitivity Analysis		Revenue CAGR								
		0,6%	1,1%	1,6%	2,1%	2,6%	3,1%	3,6%	4,1%	4,6%
EBIT margin	4,1%	22,5	23,6	24,7	25,9	27,1	28,4	29,7	31,1	32,5
	4,6%	26,3	27,6	28,9	30,2	31,6	33,0	34,5	36,0	37,6
	5,1%	30,2	31,6	33,0	34,4	36,0	37,5	39,2	40,9	42,6
	5,6%	34,1	35,6	37,1	38,7	40,4	42,1	43,9	45,8	47,7
	6,1%	37,9	39,6	41,2	43,0	44,8	46,7	48,6	50,6	52,7
	6,6%	41,8	43,5	45,4	47,2	49,2	51,2	53,3	55,5	57,8
	7,1%	45,7	47,5	49,5	51,5	53,6	55,8	58,1	60,4	62,8

Source: Trigon DM

Comparative valuation

Peer group. The peer group, based on multiples for 2023-25, includes domestic and foreign companies active in the construction materials manufacturing segment. Direct competitors in the listed foams, sealants and adhesives segment include Sika and Henkel. The company is also building its position in the insulation segment, where Rockwool, Kingspan and Saint Gobain are present, among others. Among the domestic producers of building materials listed on the WSE are Grupa Kęty, Sniezka, Ferro, Pekabex, Rawplug.

We note that Selena FM's average gross margin and EBITDA for 2018-2022 are 6.7 pp (30.2% vs. 36.8%) and 3.6 pp (9.3% vs. 12.9%) lower, respectively, than those of domestic competitors, and 9.6 pp (30.2% vs. 39.8%) and 7.2 pp (9.3% vs. 16.5%) lower, respectively, than those of foreign competitors. The company therefore has considerable scope to optimise certain processes in the future, which could lead to further upside in the valuation.

The comparative valuation of Selena FM with its peers (domestic companies 50%, foreign companies 50%) based on EV/EBITDA and P/E ratios (50% weighting each)

and based on forecasts for 2023-2025 (equal weighting for each year) implies a current valuation of one Selena FM share at PLN 41.7 per share. For domestic companies only, the NPV of one SEL share is PLN 32.9, while for foreign companies it is PLN 50.5.

SEL: Comparative valuation

Company	MC (mUSD)	EV/EBITDA				P/E				EV/EBIT			
		2022	2023F	2024F	2025F	2022	2023F	2024F	2025F	2022	2023F	2024F	2025F
Selena	134	2,8	5,1	3,9	3,0	5,2	12,0	8,8	6,2	3,6	7,6	5,7	4,2
Building materials - Poland		6,8	7,2	6,0	5,6	9,1	10,6	7,6	6,9	7,7	8,6	6,8	6,4
Grupa Kęty	1453	7,1	9,1	8,4	8,3	9,1	12,8	12,4	11,8	8,4	11,6	10,8	10,7
Snieżka	213	11,9	8,8	8,1	6,6	26,4	14,9	12,0	9,4	17,9	12,1	10,6	8,3
Ferro	145	6,8	7,2	6,0	5,6	9,6	10,6	7,5	6,9	7,7	8,6	6,8	6,4
Pekabex	120	5,1	4,9	4,4	3,8	7,9	8,0	7,6	6,4	6,3	6,3	5,5	4,6
Rawlplug	106	4,4	5,5	5,0	4,5	4,3	8,2	5,4	5,0	5,2	7,9	6,7	5,9
Building materials - Global		7,6	9,5	8,6	7,8	17,0	17,6	14,8	12,9	11,9	12,1	11,3	9,9
3M	59152	7,6	8,8	8,3	7,8	9,9	12,0	11,2	10,5	9,8	11,3	10,6	9,8
Sika	40962	19,7	19,7	16,2	14,4	31,6	31,3	25,3	22,6	24,5	25,2	20,3	17,8
Saint Gobain	31212	5,0	5,2	4,8	4,5	8,4	9,3	8,8	8,1	7,2	7,2	6,6	6,0
Henkel	30949	10,3	9,5	8,6	7,8	17,0	17,6	15,7	14,3	12,6	12,1	10,9	9,9
Kingspan	13375	14,4	13,2	12,5	11,1	20,5	19,8	19,2	17,4	17,8	16,5	15,5	13,6
Akzo Nobel	12861	14,1	11,4	9,7	8,8	18,2	18,4	14,4	12,9	20,3	15,1	12,2	10,8
RPM	12614	16,1	13,6	12,6	11,6	22,7	20,8	18,8	17,1	19,2	15,9	14,7	13,5
Rockwool	5101	7,5	6,4	6,3	5,8	17,4	13,0	13,2	12,1	11,9	9,6	9,6	8,9
Sto SE	1013	4,4	4,2	4,1	3,6	10,4	11,5	11,5	10,4	6,5	6,7	6,4	5,5
Steico	433	5,8	9,7	9,1	7,7	8,4	22,6	20,0	15,4	8,0	17,9	16,9	13,5
Uzin UTZ	245	5,9	6,4	7,0	6,4	9,0	12,0	14,8	12,8	8,9	9,9	11,3	9,8
Partial valuation		1 457	975	1 072	1 206	567	677	734	921	1 524	797	904	1 058
Weight of the year		0%	33%	33%	33%	0%	33%	33%	33%	0%	33%	33%	33%
Partial valuation				1084				777				920	
Indicator weight				50%				50%				0%	

	PLNm	2022	2023F	2024F	2025F
Peers valuation	930,8				
No of shares		22,83			
Current valuation per share		40,8			
TP 12M	46,1				
Revenue		1963	1890	1954	2050
EBITDA		199	121	145	170
EBIT		154	81	98	121
Net profit		112	48	66	93
Net debt		-24	35	-19	-73

Source: Bloomberg, Trigon DM

Valuation summary

We set our 12-month DCF target price for SEL at **PLN 40.4**. A **comparative valuation** implies a present value of PLN 41.7 per share for SEL. Relative to domestic peers only, SEL's NPV per share is PLN 32.9, while relative to foreign peers it is PLN 50.5.

SEL: valuation summary

Valuation method	Current valuation	12M TP	Weight	TP
DCF	35,9	40,6	100%	40,6
Comparative	40,8	46,1	0%	

Source: Bloomberg, Trigon DM

Risk Factors

Exchange rates. Production realised in Poland represents approximately 45% of total sales, while the market share of sales in the Polish market is <30%. The ratio of raw material consumption costs to realised revenues is approximately 50% and purchases are mainly made in EUR and USD. However, a significant proportion of foreign currency costs overlap with realised revenues, and high exchange rate volatility makes it difficult to implement an optimal purchasing strategy.

Competitive pressures. In the past, weak market conditions have led to increased competitive and pricing pressure from some players, resulting in reduced margins in the industry. In addition, more aggressive pricing by competitors may lead to a redistribution of market shares among individual players.

Raw material prices. The market for raw material suppliers is highly consolidated and the company is therefore a market price taker. The company's multi-sourcing strategy - i.e. sourcing from a number of different sources depending on local market prices - allows it to optimise its purchasing structure to a large extent in terms of the margins it achieves.

Situation in the construction market. The company's sales are mainly focused on the housing and volume construction markets. High interest rates are leading to a reduction in the volume of new housing purchases and a reduction in the realisation of cubature investments, as investors find it difficult to access finance. In turn, high inflation limits the purchasing power of consumers, who postpone home improvements.

Risk of unsuccessful M&A. The Group's strategy is based on the acquisition of companies with a similar business profile (foams, adhesives, sealants) in markets where the Group's presence is negligible, as well as market shares in complementary product areas (e.g. glass wool). There is a risk that the acquired businesses will not meet the Board's performance expectations.

Income statement (PLNm)

	2020	2021	2022	2023F	2025F	2025F
Revenues	1 385	1 728	1 963	1 890	1 954	2 050
Operating expenses	917	1 249	1 373	1 329	1 360	1 415
Gross profit from sales	468	480	591	561	594	636
Sales expenses	229	270	308	322	327	338
Management costs	114	126	145	156	170	176
Profit from sales	125	83	138	82	98	121
Result on other operating activity	2	9	16	-2	0	0
EBITDA	166	137	199	121	145	170
EBITDA adj.	164	127	183	123	145	170
Amortization	39	44	46	41	47	48
EBIT	127	93	154	81	98	121
Financial net	-33	-7	-22	-17	-11	-5
Gross profit	95	88	134	65	86	116
Income tax	-19	14	-22	-15	-17	-23
Minority interest	0	0	0	2	2	0
Net profit	76	103	112	49	67	93
Net profit adj.	75	95	99	50	67	93

gross margin	34%	28%	30%	30%	30%	31%
EBITDA adj. margin	12%	7%	9%	6%	7%	8%
EBIT margin	9%	5%	8%	4%	5%	6%
net profit adj. margin	5%	6%	5%	3%	3%	5%

sales growth y/y	4%	25%	14%	-4%	3%	5%
	18%	2%	23%	-5%	6%	7%
EBITDA adj. growth y/y	46%	-22%	44%	-33%	18%	17%
EBIT growth y/y	100%	-27%	66%	-48%	21%	24%
net profit adj. growth y/y	57%	27%	4%	-50%	35%	38%

	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23
Revenues	448	422	499	569	474	412
Operating expenses	334	286	358	384	344	293
Gross profit from sales	114	135	141	185	129	119
Sales expenses	74	69	79	81	79	79
Management costs	34	35	35	37	38	38
Profit from sales	6	32	27	67	12	2
Result on other operating activity	2	-6	0	1	21	-2
EBITDA	19	37	39	79	44	10
EBITDA adj.	17	43	39	79	23	11
Amortization	11	11	12	12	11	10
EBIT	8	26	27	68	33	0
Financial net	-6	2	3	-8	-20	-5
Gross profit	1	29	31	60	14	-4
Income tax	30	-4	-7	-14	3	-1
Minority interest	0	0	0	0	0	0
Net profit	32	25	23	46	17	-5
Net profit adj.	30	30	23	46	1	-4

gross margin	25%	32%	28%	33%	27%	29%
EBITDA adj. margin	4%	10%	8%	14%	5%	3%
EBIT margin	2%	6%	5%	12%	7%	0%
net profit adj. margin	7%	7%	5%	8%	0%	-

	0	0	0	0	0	0
sales growth y/y	28%	21%	14%	15%	6%	-2%
EBITDA adj. growth y/y	4%	30%	14%	34%	14%	-12%
EBIT growth y/y	-33%	49%	6%	75%	35%	-73%
net profit adj. growth y/y	-53%	30%	-4%	85%	314%	-98%
	-	84%	16%	59%	-98%	-

Source: the company, Trigon Brokerage House

Balance (PLN m)

	2020	2021	2022	2023F	2025F	2025F
Fixed assets	373	368	407	478	490	490
Tangible fixed assets	243	261	288	359	371	371
Intangible assets	0	0	0	0	0	0
Company's value	0	0	0	0	0	0
Long-term receivables	0	0	0	0	0	0
Long-term investments	6	20	28	28	28	28
Other	123	87	92	91	91	91
Current assets	553	740	764	723	730	811
Inventory	193	280	262	269	261	274
Trade receivables	252	305	276	284	275	288
Other	41	59	67	76	76	76
Cash	68	96	158	95	119	173
Assets	926	1 109	1 171	1 201	1 221	1 301
Equity	523	601	715	730	784	854
Share capital	1	1	1	1	1	1
Other	445	497	602	681	717	760
Net profit (loss)	76	103	112	48	66	93
Minority capital	1	1	3	5	7	7
Long-term liabilities	47	80	86	101	80	80
Interest-bearing liabilities	33	66	72	89	69	69
Other	14	15	14	12	12	12
Short-term liabilities	355	426	367	366	350	360
Interest-bearing liabilities	54	112	62	40	31	31
Trade liabilities	187	198	208	214	207	217
Other	114	116	96	112	112	112
Liabilities	926	1 109	1 171	1 201	1 221	1 301
Net working capital	257	387	330	339	329	345
Net debt	20	82	-24	35	-19	-73
Net debt corr.	20	82	-24	35	-19	-73
Net debt/EBITDA (x)	0,12	0,60	-0,12	0,29	-0,13	-0,43
Net debt/equity (x)	0,04	0,14	-0,03	0,05	-0,02	-0,09
ROE (%)	0	0	0	0	0	0
ROA (%)	0	0	0	0	0	0
Cash conversion cycle (days)	67	72	72	69	67	64
Inventory turnover (days)	68	69	72	73	71	69
Receivables turnover ratio (days)	65	59	54	54	52	50
Accounts payable turnover ratio (days)	66	56	54	58	56	55

Cash Flow (PLNm)

	2020	2021	2022	2023F	2025F	2025F
Cash flows from operating activities	112	-30	190	91	139	130
Net profit (loss)	76	103	112	48	66	93
Amortization	39	44	46	41	47	48
Changes in working capital	-13	-130	57	-9	10	-16
Inventory changes	-42	-87	18	-7	8	-13
Trade receivables change	-14	-53	29	-7	9	-14
Trade liabilities change	43	11	10	5	-7	10
Other	11	-47	-25	11	15	5
Cash flows from investment activities	-73	-36	-38	-103	-60	-48
CAPEX	-33	-33	-37	-106	-60	-48
Other	-40	-3	-1	3	0	0
Cash flows from financial activities	-70	49	-91	-55	-54	-28
Interest-bearing liabilities change	-71	91	-43	-5	-30	0
Revenues from shares emission	0	0	0	0	0	0
Dividend	0	0	0	-32	-11	-23
Other	1	-41	-47	-18	-13	-5
Net cash flows	-31	-17	61	-66	24	54
Cash opening balance	86	55	39	100	35	59
Closing balance of cash	55	39	100	35	59	113

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

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 – Selenia FM S. A.

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BUY – we expect that the rate of return on an investment will be at least 10%

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

Recommendation prepared by: Łukasz Rudnik

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