

Flash Note

CEE | Equity Research

 Research Department
research@trigon.pl
www.trigon.pl

SELENA FM (BUY; PLN 42,5)

Results Review 3Q23: record gross margin offsets 15% decline in revenue [positive]

PLNm	3Q22	4Q22	1Q23	2Q23	3Q23	Y/Y	Q/Q	3Q23E	Cons.
Revenues	569.0	473.5	412.2	452.5	491.6	-14%	9%	516.0	
Construction chemicals	376.3	283.8	301.7	345.4	347.0	-8%	0%	345.0	
Other products	114.3	58.9	69.7	58.6	91.3	-20%	56%	90.0	
Goods	77.1	129.0	39.4	47.6	51.7	-33%	9%	80.0	
Services	1.3	1.8	1.4	1.0	1.4	11%	40%	1.0	
Gross profit	185.1	129.1	119.3	139.5	179.2	-3%	28%	165.1	
Selling costs	81.4	78.6	79.0	74.1	73.6	-10%	-1%	78.4	
G&A costs	36.8	38.1	38.4	36.9	35.5	-4%	-4%	36.9	
Other operating items, net	0.7	20.7	-1.5	0.2	0.5	-28%	114%	0.0	
EBITDA	79.4	44.2	9.9	38.6	80.7	2%	109%	59.5	
EBIT	67.6	33.1	0.4	28.7	70.5	4%	145%	49.8	
Net profit	46.4	17.3	-5.1	11.9	54.9	18%	362%	35.7	
OCF	103.7	141.1	-75.9	-28.0	157.8	52%	-		
Net debt	96.8	-24.0	66.1	135.9	61.6	-36%	-55%		
P/E 12M trailing	5.4	6.1	8.4	9.7	8.7				
EV/EBITDA 12M trailing	4.5	3.3	4.4	4.8	4.3				
revenue y/y	15%	6%	-2%	-9%	-14%				
Gross margin	32.5%	27.3%	28.9%	30.8%	36.5%			32.0%	-
EBITDA margin	14.0%	9.3%	2.4%	8.5%	16.4%			11.5%	-
EBIT margin	11.9%	7.0%	0.1%	6.4%	14.3%			9.6%	-
net margin	8.2%	3.6%	-	2.6%	11.2%			6.9%	-

Source: Company, Trigon DM

Comment: We are positive about the results. Reported revenues were lower than our expectations, mainly in the category of lower-margin goods, which are distributed as a complement to the Company's product portfolio. We note the record level of gross margin, the effect of the drop in prices of silicones and MDI was higher than we expected. In addition, it seems that the price pressure from competitors was not as strong as expected given the weak data from the housing market and the decrease in renovation spending by consumers, which in our view was expected to be the main factor limiting the space for higher margin expansion. Also notable is the very strong cash generation and the decline in net debt to PLN 62m, despite PLN 97m of capital expenditure since the beginning of the year, including PLN 41m for the acquisition of interests in subsidiaries. 4Q23 is seasonally weaker, but looking at the margin realised in 3Q23, we see space to raise our guidance for the final quarter of the year. (So far, our 4Q23 forecast was PLN 20m EBITDA). (Łukasz Rudnik)

PLNm	2020	2021	2022	2023E	2024E	2025E
Revenues	1,385	1,728	1,963	1,847	1,985	2,081
EBITDA	166	137	199	129	150	174
EBIT	127	93	154	88	102	126
Net profit	76	103	112	45	67	95
EPS (PLN)	3.3	4.5	4.9	2.0	3.0	4.2
P/E (x)	9.0	6.7	6.1	15.3	10.2	7.2
EV/EBITDA (x)	4.3	5.61	3.3	5.8	4.8	3.8
P/BV (x)	1.3	1.1	1.0	1.0	0.9	0.8
DY (%)	0.0%	0.0%	0.0%	4.4%	1.7%	3.3%

Source: Company, Trigon DM

FACT SHEET			
Ticker	SEL		
Sector	Building materials		
52W range (PLN)	20.2 / 31.7		
Shares outstanding (m)	22.8		
Market Cap (PLNm)	685		
Free-float	26.7%		
3M Avg. Vol. (PLNm)	0.1		
Price performance	1M	3M	1Y
	5.6%	26.6%	55.8%

Trigon Dom Maklerski S.A.

Plac Unii, Budynek B, ul. Puławska 2, 02-566 Warszawa

T: +48 22 330 11 11 | F: +48 22 330 11 12

W: <http://www.trigon.pl> | E: recepca@trigon.pl



CEE EQUITY RESEARCH

Grzegorz Kujawski, Head of Research

Consumer, E-commerce, Financials

Maciej Marciniowski, Deputy Head of Research

Strategy, Banks, Financials

Kacper Koproń

Gaming, TMT

Katarzyna Kosiorek

Biotechnology

Michał Kozak

Oil&Gas, Chemicals, Utilities

Dominik Niszczyński

TMT, E-commerce

Łukasz Rudnik

Industrials, Metals&Mining

David Sharma

Construction, Real Estate

Piotr Rychlicki

Junior Analyst

Piotr Chodyra

Junior Analyst

EQUITY SALES

Grzegorz Skowroński

SALES TRADING

Paweł Szczepański, Head of Sales

Michał Sopiński, Deputy Head of Sales

Paweł Czupryński

Hubert Kwiecień

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