

Flash Note

Poland | Equity Research

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MFO (Buy, PLN 45,4)

4Q23 forecast update

PLNm	4Q22	1Q23	2Q23	3Q23	4Q23E	Y/Y	Q/Q	4Q23E*
Revenues	145.2	151.7	144.1	134.0	134.1	-8%	0%	129.8
Gross profit	-3.9	16.2	9.7	10.8	14.1	-	30%	13.4
EBITDA	-14.8	5.7	0.3	1.9	3.5	-	87%	3.1
EBIT	-16.6	3.6	-1.9	-0.3	1.3	-	-	0.9
Net profit	-16.7	1.4	-8.3	1.2	0.2	-	-86%	-0.1
OCF	17.3	23.4	-5.6	23.1	2.4	-86%	-90%	-16.4
Net debt	-10.4	-26.6	-20.6	-41.2	-28.6	-	-	9.7
P/E 12M trailing	9.7	25.9	-	-	-			
EV/EBITDA 12M trailing	5.6	9.3	-	-	18.5			
revenue y/y	-43%	-49%	-51%	-28%	-8%			
EBITDA margin	-	3.8%	0.2%	1.4%	2.6%			2.4%
EBIT margin	-	2.4%	-	-	1.0%			0.7%
net margin	-	0.9%	-	0.9%	0.1%			-

Source: Company, Trigon DM, E-Estimates, P-Preliminary, *forecast from Trigon Equity Strategy 2024"

- At the end of 4Q23 there was a slight improvement in customer sentiment, with additional requests appearing, but proposed prices were at the limit of acceptance
- January showed a rebound in flat steel prices in Europe, which increased activity on the customer side, translating into improved margins and volumes
- Price increases announced by ArcelorMittal were around 15% compared to the beginning of December, a result of the rapid exhaustion of HGDC import quotas for 1Q24 (in the 1st week of January) and the extension of imports from Asia to Europe due to attacks on container ships in the Red Sea
- Window customers are positive about the outlook for 2024
- In our opinion, a more dynamic rebound in demand will take place in 2H24, while 1H24 should be characterised by single-digit dynamics
- The largest manufacturers of windows including Drutex and EkoOkna, are currently realizing large investments in the expansion of production capacity
- The new PV profile line is currently running on 2.5 shifts
- The market is seeing a change in the approach of insurance companies to securing financing when selling to the German market to smaller companies, large customers are maintaining a good financial position
- Longer-term trends for the window industry related to decarbonising buildings by reducing heat loss remain favourable
- A final vote by the EP on the revision of the Energy Performance of Buildings Directive (EPBD) is expected in March, which in practice means that from 2030, all investors will be obliged to construct only zero-emission buildings

Comment: We have raised our expectation for 4Q23 sales volumes by around 5% relative to our December forecast to 28.5 kt. We view positively the rebound in steel prices at the start of the year, which should be reflected in 1Q24 volumes and margins. In 4Q23 alone, HGDC prices in Europe remained slightly lower than the 3Q23 average (by around EUR 20/t). The beginning of the year also brought an improvement in customer sentiment. We note that the Polish window sector allocates around 60-70% of sales to export markets. The increase in sales expected by the industry is, in our opinion, linked to two factors: (1) the increase in investments related to thermo-modernisation of

PLNm	2020	2021	2022	2023E	2024E	2025E
Revenues	428	990	923	564	599	697
EBITDA	36.2	172.0	40.7	11.4	34.9	44.8
EBIT	31.2	166.6	33.9	2.7	24.9	31.4
Net profit	27.0	133.0	24.6	-5.6	18.0	28.1
EPS (PLN)	4.1	20.1	3.7	-0.8	2.7	4.3
P/E (x)	8.9	1.8	9.7	-	13.3	8.5
EV/EBITDA (x)	6.9	1.47	4.7	15.4	7.5	6.2
P/BV (x)	1.3	0.8	0.8	0.8	0.7	0.7
DY (%)	0.0%	2.8%	11.0%	0.0%	0.0%	3.0%

Source: Company, Trigon DM

FACT SHEET			
Ticker	MFO		
Sector	Metal industry		
52W range (PLN)	27 / 42		
Shares outstanding (m)	6.6		
Market Cap (PLNm)	240		
Free-float	44.3%		
3M Avg. Vol. (PLNm)	0.1		
Price performance	1M	3M	1Y
	6.1%	19.8%	-0.3%

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*buildings in Europe, financed by government subsidies, and (2) the further strengthening of the position of Polish companies on export markets due to cost advantages, modern production facilities and the continuously growing number of distributors on foreign markets, who should further increase their stock levels in anticipation of the launch of thermo-modernisation programmes. Investments by the largest players signal that the long-term prospects for the Polish window sector remain favourable. We do not assume the payment of dividends from profit for 2023 due to the large investment programme currently underway related to the construction of a plant and warehouse at the Boryszew-Sochaczew site. This year's expenditure will amount to ca. PLN 75-80m (some of it may be postponed to 2025). Completion of the 1st stage of the investment is planned for 1Q25, and production should start by the end of 1Q25. We assume that from 1Q24 production/sales volumes will exceed 10 kt/mth. (**Lukasz Rudnik**).*

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