

Flash Note

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SELENA FM (BUY; PLN 49.7)

Results Review 4Q23: results below our expectations due to lower gross margin and higher SG&A costs [negative].

PLNm	4Q22	1Q23	2Q23	3Q23	4Q23	YY	Q/Q	4Q23E
Revenues	473.5	412.2	452.5	491.6	422.1	-11%	-14%	416.0
Construction chemicals	283.8	301.7	345.4	347.0	293.9	4%	-15%	290.0
Other products	58.9	69.7	58.6	91.4	80.0	36%	-12%	80.0
Goods	129.0	39.4	47.6	51.8	44.8	-65%	-14%	45.0
Services	1.8	1.4	1.0	1.4	3.4	87%	141%	1.0
Gross profit	129.1	119.3	139.5	179.2	112.1	-13%	-37%	124.8
Selling costs	78.6	79.0	74.1	73.6	80.3	2%	9%	70.7
G&A costs	38.1	38.4	36.9	35.5	42.4	11%	19%	38.0
Other operating items, net	20.7	-1.5	0.2	0.5	19.0	-8%	3683%	0.0
EBITDA	44.2	9.9	38.6	80.7	19.3	-56%	-76%	26.9
EBIT	33.1	0.4	28.7	70.5	8.4	-74%	-88%	16.1
Net profit	17.3	-5.1	11.9	54.9	-11.6	-	-	9.7
OCF	141.1	-75.9	-28.0	157.8	29.7	-79%	-81%	
Net debt	-24.0	66.1	135.9	61.6	151.7	-	146%	
P/E12M trailing	7.0	9.6	11.2	10.0	15.7			
EV/EBITDA 12M trailing	3.8	5.0	5.4	4.9	6.3			
revenue y/y	6%	-2%	-9%	-14%	-11%			
Gross margin	27.3%	28.9%	30.8%	36.5%	26.6%			30.0%
EBITDA margin	9.3%	2.4%	8.5%	16.4%	4.6%			6.5%
EBIT margin	7.0%	0.1%	6.4%	14.3%	2.0%			3.9%
net margin	3.6%	-	2.6%	11.2%	-			2.3%

Source: Company, Trigon DM

- Other operating expenses in 4Q23 amounted to PLN 19m (vs. PLN 20m in 4Q22), mainly due to PLN 26.2m compensation awarded to the company for the relocation of a production plant in China.
- Net finance costs in 4Q23 amounted to PLN -19m (mainly impact of foreign exchange losses of PLN 43.6m in '23), share of profit from associates of PLN +1m, additionally the Company recognised impairment of loans and guarantees granted in the amount of PLN 8m
- Last year's cash flow from investing activities amounted to PLN -117m, including PLN 58m on purchase of PPE, PLN 44.4m on acquisition of control over subsidiaries (acquisition of Imperialum) and PLN 23m on purchase of shares in investments accounted for using the equity method (JV with Masterplast)

Comment: The reported result on gross profit level is 10% lower than our expectations, and on EBITDA level it is 28% lower. We were negatively surprised in particular by the y/y decline in gross margin given the persistently favourable price environment for production raw materials. This could be a sign of intensifying competitive pressure in a situation of already prolonged weak demand in the construction industry. Stimulus for the rebound in demand for the Company's products will be the reduction of interest rates (increase in new housing investments in Europe) and/or the launch of EU funds for thermo-modernisation of the construction industry, including the EPBD directive recently adopted by the EC. (Łukasz Rudnik)

PLNm	2021	2022	2023E	2024E	2025E	2026E
Revenues	1,728	1,963	1,772	1,837	1,953	2,048
EBITDA	137	199	156	175	185	195
EBIT	93	154	116	130	139	148
Net profit	103	112	71	92	100	107
EPS (PLN)	4.5	4.9	3.1	4.0	4.4	4.7
P/E (x)	7.7	7.0	11.0	8.6	7.9	7.3
EV/EBITDA (x)	6.4	3.8	4.9	4.1	3.6	3.1
P/BV (x)	1.3	1.1	1.1	1.0	0.9	0.8
DY (%)	0.0%	0.0%	3.8%	2.9%	2.9%	3.5%

Source: Company, Trigon DM

FACT SHEET			
Ticker	SEL		
Sector	Building materials		
52W range (PLN)	22.2 / 39.9		
Shares outstanding (m)	22.8		
Market Cap (PLNm)	788		
Free-float	20.3%		
3M Avg. Vol. (PLNm)	0.1		
Price performance	1M	3M	1Y
	-3.6%	-8.7%	28.3%

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