

Flash Note

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SELENA FM (BUY; PLN 46.2)

4Q23 earnings conference call summary

#Summary 2023

- In y/y, there was an adjustment in the prices of production raw materials due to the stabilisation of the supply chain and lower consumption (stagnation in the construction industry, high inventories at distributors), which was most evident in silicones, the exception being asphalts, whose price is linked to oil prices
- The Management Board intensified its sales activities last year on the Polish market (greater availability) and on western markets
- Imperialum's revenues last year amounted to PLN 75m (PLN 24.8m consolidated in results to 1 September 2023), and net profit amounted to PLN 5.7m (PLN 1.8m consolidated in results)
- Gross margin deterioration in 4Q23 (-0.7pp y/y), compared to an improvement in 3Q23 (+4pp y/y), was related to a weaker geographic and product mix of sales
- Sales to the US market develop more slowly than expected due to the slowdown in the residential construction market observed there

#Outlook

- Company does not specify sales targets for 2024
- Current market environment is highly competitive (price and product pressure), industry situation is weak, optimisation efforts continue (productivity, energy intensity, unit cost reduction, employment)
- Management is counting on the fact that the launch of subsidies for thermal modernisation financed from KPO in EU countries will lead to a rebound in demand for the Company's products
- In the raw materials market, despite low prices, there are apparent problems with availability, with frequent delays in deliveries
- In spite of the poor performance of the polyurethane segment at its main producers (Huntsman, Coversto), the Management Board does not expect a reduction in production in Europe, as there are signs of a rebound in the other branches consuming these raw materials
- The level of sales synergies at Imperialum is conservatively estimated at 10-15% of annual revenues (through sales of Selena FM products - products in the waterproof segment and foams/sealants/adhesives)
- Selena Group wants to increase spending on international expansion, the Management Board is looking at both acquisitions and JV projects in market segments new to it (Western Europe, Americas)
- Management reiterates goal of reaching 33% gross margin from 30.9% in 2023, a target it wants to achieve within 2-3 years
- Management will make an announcement in the near future regarding the payment of a dividend from the 2023 profit

#Investments

- Level of capital expenditure in 2024 will be similar y/y (ca. PLN 60m)
- Production at the glass wool plant being built jointly with Masterplast will start at the beginning of 2025, with sales starting in 2Q25
- The value of the investment is EUR 47m, and Selena Group's contribution for a 50% stake in the project is EUR 9.6m (PLN 44.6m)
- The plant will produce 19 kt of glass wool per year, management does not specify the revenue/output potential of the plant
- Construction of a 14 MW PV farm in Turov is planned this year (Selena Green Investments)

Comment: The Management Board has maintained the GMnS growth target of 33% in 2-3 years; to this end, optimisation measures are being carried out both in the area of production efficiency and unit costs. The launch of investments from EU funds, particularly thermal modernisation programmes for KPO buildings, should improve the situation in the industry, where strong competitive pressure is currently being felt. Management has announced increased investment in international expansion, and is actively seeking both acquisition targets and entities for joint JVs in markets in Western Europe or the Americas. (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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