

# Flash Note

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## SELENA FM (BUY; PLN 46.4)

### 1Q24 Results Review: strong improvement in gross margin [positive]

PLNm	1Q23	2Q23	3Q23	4Q23	1Q24	Y/Y	Q/Q	1Q24E
<b>Revenues</b>	<b>412.2</b>	<b>452.5</b>	<b>491.6</b>	<b>422.1</b>	<b>400.0</b>	<b>-3%</b>	<b>-5%</b>	<b>407.5</b>
Construction chemicals	301.7	345.4	347.0	293.9	290.0	-4%	-1%	296.5
<b>Gross profit</b>	<b>119.3</b>	<b>139.5</b>	<b>179.2</b>	<b>112.1</b>	<b>135.4</b>	<b>13%</b>	<b>21%</b>	<b>126.3</b>
Selling costs	79.0	74.1	73.6	80.3	71.1	-10%	-11%	69.3
G&A costs	38.4	36.9	35.5	42.4	36.2	-6%	-15%	39.0
Other operating items, net	-1.5	0.2	0.5	19.0	-0.6	-	-	0.0
<b>EBITDA</b>	<b>9.9</b>	<b>38.6</b>	<b>80.7</b>	<b>19.3</b>	<b>38.1</b>	<b>283%</b>	<b>98%</b>	<b>29.8</b>
<b>EBIT</b>	<b>0.4</b>	<b>28.7</b>	<b>70.5</b>	<b>8.4</b>	<b>27.5</b>	<b>+</b>	<b>226%</b>	<b>18.1</b>
<b>Net profit</b>	<b>-5.1</b>	<b>11.9</b>	<b>54.9</b>	<b>-11.6</b>	<b>19.1</b>	<b>-</b>	<b>-</b>	<b>11.7</b>
OCF	-75.9	-28.0	157.8	29.7	8.0	-	-73%	
Net debt	66.1	135.9	61.6	150.0	190.5	188%	27%	
P/E 12M trailing	9.6	11.1	9.9	15.7	10.6			
EV/EBITDA 12M trailing	4.9	5.4	4.9	6.3	5.5			
revenue y/y	-2%	-9%	-14%	-11%	-3%			
Gross margin	28.9%	30.8%	36.5%	26.6%	33.9%			31.0%
EBITDA margin	2.4%	8.5%	16.4%	4.6%	9.5%			7.3%
EBIT margin	0.1%	6.4%	14.3%	2.0%	6.9%			4.4%
net margin	-	2.6%	11.2%	-	4.8%			2.9%

Source: Company, Trigon DM

**Comment:** We view the results positively, with revenues slightly below our expectations (-2%), but a clear improvement in gross margin, which rose to 33.9% (+5pp y/y vs. the 2pp y/y increase we assumed) - in our forecasts, we highlighted the relatively cheap inventory of MDI and other chemical raw materials (MDI prices in Europe stood at ca. EUR 2278/t in 4Q23, i.e. -20% q/q). SG&A costs did not differ significantly from our assumptions (slightly higher cost of sales than we expected and lower management costs) and were significantly lower y/y (-9%), despite a slight decline in sales y/y (-3%). Balance of other activities with no significant impact on EBITDA. #Debt. Net debt at the end of 1Q24 increased by PLN 40m, driven by relatively low OCF (PLN 8m) and capital expenditure, including acquisition of property, plant and equipment of PLN -35m and purchase of shares in investments accounted for under the equity method (PLN -10m). #Outlook. We note an improvement in construction in selected markets where the Company is present - in 4Q23, building permits in Italy increased by 15.8% y/y and in Spain by 44%. In the context of 2Q24, we assume an improvement in gross margin y/y, but the scale of the rebound will no longer be as significant, in our view - benzene prices (the raw material for MDI) were around 28% higher in mid-April relative to average prices in December, and polypropylene prices (the raw material for polyols) were 16% higher. The pace of commissioning of thermal upgrading projects in Europe will be crucial to revenue growth in the near term. (Łukasz Rudnik)

PLNm	2021	2022	2023	2024E	2025E	2026E
Revenues	1,728	1,963	1,778	1,842	1,958	2,053
EBITDA	137	199	149	169	179	190
EBIT	93	154	108	121	131	140
Net profit	103	112	50	81	95	104
EPS (PLN)	4.5	4.9	2.2	3.6	4.2	4.6
P/E (x)	7.7	7.0	15.7	9.7	8.3	7.6
EV/EBITDA (x)	6.3	3.8	6.3	5.5	4.9	4.4
P/BV (x)	1.3	1.1	1.1	1.0	0.9	0.9
DY (%)	0.0%	0.0%	3.9%	2.0%	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)	785		
Free-float	20.3%		
3M Avg. Vol. (PLNm)	0.1		
Price performance	1M	3M	1Y
	0.6%	-6.8%	47.6%

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