

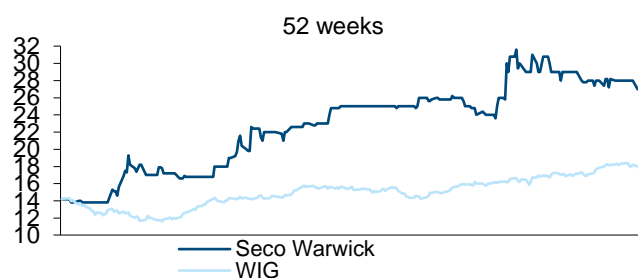
## COMPANY REPORT

# Seco Warwick

## Buy

| PLN mn                | 2022  | 2023e | 2024e | 2025e |
|-----------------------|-------|-------|-------|-------|
| Net sales             | 622.7 | 700.5 | 742.8 | 853.8 |
| EBITDA                | 57.1  | 60.1  | 61.2  | 74.6  |
| EBIT                  | 42.1  | 44.7  | 45.2  | 58.5  |
| Net result after min. | 30.6  | 30.0  | 32.6  | 44.5  |
| EPS (PLN)             | 2.97  | 3.00  | 3.26  | 4.45  |
| CEPS (PLN)            | 4.43  | 4.54  | 4.85  | 6.06  |
| BVPS (PLN)            | 21.52 | 24.68 | 26.74 | 29.56 |
| Div./share (PLN)      | 0.25  | 1.00  | 1.20  | 1.63  |
| EV/EBITDA (x)         | 4.3   | 4.7   | 4.5   | 3.6   |
| P/E (x)               | 7.4   | 8.9   | 8.2   | 6.0   |
| P/CE (x)              | 5.0   | 5.9   | 5.5   | 4.4   |
| Dividend Yield        | 1.1%  | 3.7%  | 4.5%  | 6.1%  |

|  |          |
|--|----------|
| Share price (PLN) close as of 11/08/2023 | 26.8     |
| Number of shares (mn)                    | 10.3     |
| Market capitalization (PLN mn / EUR mn)  | 276 / 62 |
| Enterprise value (PLN mn / EUR mn)       | 285 / 64 |



| Performance | 12M   | 6M   | 3M   | 1M    |
|-------------|-------|------|------|-------|
| in PLN      | 88.7% | 7.2% | 7.2% | -2.2% |

|                     |             |              |   |
|---------------------|-------------|--------------|---|
| Reuters             | SWG.WA      | Free float   | 31.4%   |
| Bloomberg           | SWG.PW      | Shareholders | SW Holding (32.9%)  |
| Div. Ex-date        |             |              | SecoWarwick (17.5%)   |
| <b>Target price</b> | <b>33.3</b> | Homepage:    | <a href="https://www.secowarwick.com">https://www.secowarwick.com</a> |

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### Good exposure to electromobility, ESG and RES

#### We are initiating our coverage of SecoWarwick with a Buy recommendation and target price of PLN 33.3.

SecoWarwick is a beneficiary of exposure to capital goods for the transforming automotive industry (electro mobility), growing investment in renewables (especially in wind, gas, nuclear and hydrogen power), deglobalization and the relocation of sub-supplier production to Europe and the US (onshoring), and trends towards greater efficiency and the concept of a circular economy (increasing investment in equipment with lower environmental impact).

SecoWarwick's solutions can be used for NG-DRI plants (in the transformation of the steel industry), aluminum recycling plants (melting much cheaper than electrolysis, the growing role of ESG) and customers, when choosing SecoWarwick equipment, are driven by savings on the production process side (reduced gas emissions, lower consumption of energy raw materials).

The opportunity for the next few years for SecoWarwick is a strong position (TOP1) in CAB lines for aluminum processing, especially battery brazing with cooling systems. According to McKinsey, global production of battery cells will nearly quadruple and, given its global presence, SecoWarwick will be a beneficiary of this trend (presence in Europe, China and the US).

The company, with a record order book of PLN 560mn, has an opportunity to improve sales growth and financial performance in 2023, which, with low debt, may increase the chances of an increased dividend stream for shareholders.

## Risk factors

1. **High sensitivity of results to business cycles.** Historically, SecoWarwick's sales and results have been highly dependent on business cycles (capital goods market). A pronounced downturn could lead to a drastic decline in sales revenues and consequently financial results (see 2009).
2. **Strengthening of PLN against USD.** The strengthening of the zloty against foreign currencies is one of the biggest challenges for SecoWarwick from the point of view of competitiveness and the profitability of the contracts executed. The plants in Poland are most exposed to currency risk (Europe ~30% of sales; 30% of sales in EUR, 20% in USD). The company hedges 60% of the net contract exposure at the time of contract conclusion. Companies in the US contract in USD and those in China mainly in CNY.
3. **High exposure to China.** Currently, more than 30% of the group's sales are realized in Asia (primarily China). In contrast, China accounted for 55% of the group's realized EBIT in 2022. A possible drastic economic slowdown in China, the US-China trade wars, and a war over Taiwan could negatively affect the economic situation in China and indirectly the performance of the company there.
4. **Increase in personnel costs and access to highly qualified staff.** After material and energy costs, personnel costs are the second-largest category, accounting for 22% of total costs in 2022. SecoWarwick's workforce is primarily skilled engineers (over 60%), who are often attracted by competing companies. The group must keep an eye on salaries at a competitive level to avoid migration of talent out of the group. SecoWarwick is opening offices in locations where access to staff is better, e.g. an office in Zielona Góra, in Tarnowskie Góry, near Poznań.
5. **Exposure to defense industry.** SecoWarwick also has exposure to the defense industry (aircraft, helicopters, military drones) as a result of significant sales to the aerospace industry (approx. 1/3 of sales). In our view, exposure to the defense industry does not exceed 10% of total revenues. Some investors may statutorily exclude investments in companies with exposure to the defense industry, which may narrow the pool of potential investors (on the other hand, it is one of the factors for revenue growth).
6. **Risk of trade barriers.** The technological sophistication of SecoWarwick's products may result in part of the product range being subject to sanctions in the future, as was the case in Russia. The company has an outstanding deposit of EUR 252,000 relating to a contract that cannot be completed due to the sanctions in place (to date, a significant - more than 80% - part of the contract has been completed, all existing receivables have been paid by the counterparty). Also currently, trade barriers between China and India mean that SecoWarwick in China cannot supply products to India. The group plans to return to India in the future by building a branch there (there is already a sales & service division there).

## Valuation

We base our valuation of the SecoWarwick group on a 50% discounted cash flow method and a 50% comparative valuation.

| (PLN)                                   | Weight | Price        |
|---|--------|--------------|
| Relative valuation (PLN)                | 50%    | 27.07        |
| DCF valuation (PLN)                     | 50%    | 39.60        |
| <b>12M target price per share (PLN)</b> |        | <b>33.33</b> |

### Relative valuation

In the comparative valuation, we seek to benchmark SecoWarwick's performance against industrial capital goods producers. We include a 20% discount in the valuation due to the fact that the comparators are clearly larger in terms of business scale and many have greater sales diversification.

|   | P/E          |             |            | EV/EBITDA  |            |            | Dyield      |             |             |
|---|--------------|-------------|------------|------------|------------|------------|-------------|-------------|-------------|
|   | 2023e        | 2024e       | 2025e      | 2023e      | 2024e      | 2025e      | 2023e       | 2024e       | 2025e       |
| AMG CRITICAL MAT                        | 7.1          | 5.4         | 4.9        | 4.4        | 3.7        | -          | 1.6%        | 1.8%        | 1.8%        |
| PVA TEPLA AG                            | 19.5         | 15.2        | 13.2       | 15.2       | 12.2       | 10.7       | 0.1%        | 0.1%        | 0.1%        |
| ANDRITZ AG                              | 9.5          | 9.1         | 8.7        | 5.0        | 4.8        | 4.8        | 4.8%        | 5.1%        | 5.6%        |
| MITSUBISHI HEAVY                        | 11.6         | 10.6        | 8.8        | 7.8        | 7.1        | 6.2        | 2.5%        | 2.7%        | 3.2%        |
| AIDA ENGINEERING                        | 13.6         | 12.4        | -          | 4.9        | 4.6        | -          | 3.2%        | 3.5%        | -           |
| DANIELI & CO                            | 7.7          | -           | -          | -          | -          | -          | 2.3%        | 5.5%        | -           |
| GEA GROUP AG                            | 16.0         | 15.0        | 14.0       | 8.5        | 8.1        | 7.7        | 2.7%        | 2.9%        | 3.0%        |
| JUDGES SCIENTIFI                        | 26.0         | 24.4        | 22.6       | 18.5       | 16.5       | 15.6       | 0.6%        | 0.7%        | 0.6%        |
| EINHELL (HANS)-P                        | 9.3          | 8.5         | 7.7        | 7.9        | 7.3        | 6.7        | 2.0%        | 2.1%        | 2.2%        |
| PALFINGER AG                            | 8.6          | 8.3         | 7.3        | 6.1        | 5.9        | 5.4        | 3.6%        | 3.7%        | 4.2%        |
| INTERROLL HLDG-R                        | 36.8         | 30.8        | 27.3       | 21.9       | 18.8       | 16.8       | 1.1%        | 1.2%        | 1.4%        |
| MIN                                     | 7.1          | 5.4         | 4.9        | 4.4        | 3.7        | 4.8        | 0.1%        | 0.1%        | 0.1%        |
| MAX                                     | 36.8         | 30.8        | 27.3       | 21.9       | 18.8       | 16.8       | 4.8%        | 5.5%        | 5.6%        |
| <b>Median</b>                           | <b>11.6</b>  | <b>11.5</b> | <b>8.8</b> | <b>7.9</b> | <b>7.2</b> | <b>7.2</b> | <b>2.3%</b> | <b>2.7%</b> | <b>2.2%</b> |
| Seco Warwick                            | 9.0          | 8.3         | 6.1        | 4.7        | 4.4        | 3.6        | 3.7%        | 4.4%        | 6.0%        |
| premium (discount)                      | -22%         | -28%        | -31%       | -40%       | -38%       | -50%       | 60%         | 64%         | 169%        |
| <b>Implied valuation</b>                |              |             |            |            |            |            |             |             |             |
| Median                                  | 11.6         | 11.5        | 8.8        | 7.9        | 7.2        | 7.2        |             |             |             |
| Discount                                | 20%          | 20%         | 20%        | 20%        | 20%        | 20%        |             |             |             |
| Weight of the indicator                 |              | 50%         |            |            | 50%        |            |             |             |             |
| Weight of the year                      | 33%          | 33%         | 33%        | 33%        | 33%        | 33%        |             |             |             |
| Target value per share (PLN)            | 25.64        |             |            |            |            |            |             |             |             |
| <b>12m target value per share (PLN)</b> | <b>27.07</b> |             |            |            |            |            |             |             |             |

### DCF valuation

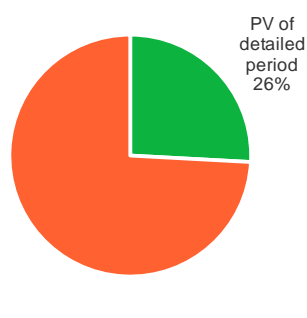
- 5-year forecast period.
- Risk-free rate of 5.5% (10-year government bond yield).
- In valuation we take net debt at end-2023.
- Beta 1.2. high volatility of past performance (capital goods market exposed to business cycles).

**WACC calculation**

|                     | 2023e | 2024e | 2025e | 2026e | 2027e | TV    |
|---------------------|-------|-------|-------|-------|-------|-------|
| Risk free rate      | 5.5%  | 5.5%  | 5.5%  | 5.5%  | 5.5%  | 5.5%  |
| Equity risk premium | 2.0%  | 2.0%  | 2.0%  | 2.0%  | 2.0%  | 2.0%  |
| Beta                | 1.2   | 1.2   | 1.2   | 1.2   | 1.2   | 1.2   |
| Cost of equity      | 11.5% | 11.5% | 11.5% | 11.5% | 11.5% | 11.5% |
| Cost of debt        | 5.9%  | 5.9%  | 5.9%  | 5.9%  | 5.9%  | 5.9%  |
| Effective tax rate  | 22.0% | 22.0% | 22.0% | 22.0% | 22.0% | 22.0% |
| Equity weigh        | 95%   | 99%   | 100%  | 100%  | 100%  | 100%  |
| WACC                | 11.2% | 11.2% | 11.2% | 11.5% | 11.5% | 11.5% |

**DCF valuation**

| (mn PLN)                                | 2023e        | 2024e     | 2025e     | 2026e     | 2027e     | TV        |
|---|--------------|-----------|-----------|-----------|-----------|-----------|
| Sales growth                            | 12.5%        | 6.0%      | 14.9%     | 2.1%      | 5.0%      | 2.0%      |
| EBIT                                    | 45           | 45        | 59        | 58        | 64        | 61        |
| EBIT margin                             | 6.4%         | 6.1%      | 6.9%      | 6.7%      | 7.0%      | 6.5%      |
| Tax rate                                | 22.0%        | 22.0%     | 22.0%     | 22.0%     | 22.0%     | 22.0%     |
| Taxes on EBIT                           | 10           | 10        | 13        | 13        | 14        | 13        |
| <b>NOPAT</b>                            | <b>35</b>    | <b>35</b> | <b>46</b> | <b>46</b> | <b>50</b> | <b>47</b> |
| Depreciation                            | 15           | 16        | 16        | 16        | 17        |           |
| CAPEX                                   | -16          | -17       | -18       | -19       | -20       |           |
| Working Capital                         | -10          | -4        | -20       | -1        | -6        |           |
| Other                                   | 0            | 0         | 0         | 0         | 0         |           |
| FCF to the firm                         | 24           | 30        | 24        | 42        | 40        | 43        |
| <b>Discounted cash flow</b>             | <b>23</b>    | <b>56</b> | <b>22</b> | <b>24</b> | <b>17</b> | <b>27</b> |
| Terminal value growth                   | 2.0%         |           |           |           |           |           |
| Terminal value                          | 453          |           |           |           |           |           |
| Discounted FCF                          | 263          |           |           |           |           |           |
| <b>Enterprise value</b>                 | <b>355</b>   |           |           |           |           |           |
| Minorities                              | 3            |           |           |           |           |           |
| Net debt                                | 14           |           |           |           |           |           |
| Other adjustments                       | 37           |           |           |           |           |           |
| <b>Equity value</b>                     | <b>375</b>   |           |           |           |           |           |
| Number of shares (mn)                   | 10           |           |           |           |           |           |
| Cost of equity                          | 5.6%         |           |           |           |           |           |
| <b>12M target value per share (PLN)</b> | <b>39.60</b> |           |           |           |           |           |
| Up/Downside                             | 47%          |           |           |           |           |           |



|      |           | Terminal value growth |      |             |      |      |
|------|-----------|-----------------------|------|-------------|------|------|
|      |           | 0.0%                  | 1.0% | 2.0%        | 3.0% | 5.0% |
| WACC | +1,0 p.p. | 33.5                  | 34.5 | 35.6        | 36.8 | 38.1 |
|      | +0,5 p.p. | 35.1                  | 36.2 | 37.5        | 38.8 | 40.3 |
|      | +0,0 p.p. | 37.0                  | 38.2 | <b>39.6</b> | 41.1 | 42.9 |
|      | -0,5 p.p. | 39.0                  | 40.4 | 42.0        | 43.7 | 45.7 |
|      | -1,0 p.p. | 41.2                  | 42.8 | 44.6        | 46.6 | 48.9 |

## SecoWarwick group - business model

SecoWarwick is a customer solution provider for **high-tech industrial furnaces for the thermal processing of metals**. Solutions are dedicated to customers in **the automotive, aircraft, energy, medical, tooling, powder metallurgy or defense industries**, among others.

SecoWarwick specializes in **energy-efficient and environmentally friendly equipment**. The company provides access to defining technologies and new solutions, provides state-of-the-art control and data analysis systems, as well as professional services available in the world's most important metallurgical markets.

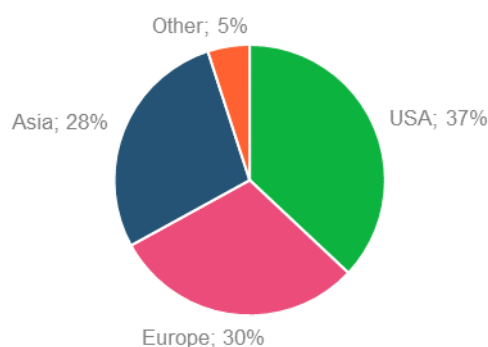
The offer includes standard and dedicated solutions, delivery of equipment including technology and associated equipment, installation and commissioning, service support, technical and technological training, tests and research in industrial and laboratory conditions, analyses and simulations.

SecoWarwick's solutions also include industrial furnaces for fire testing, vacuum equipment, precision test chambers, thermal processing systems, windscreen heating and molding production lines. A wide range of technologies, highly qualified engineers and customized solutions give the customer a competitive edge.

### Geographical presence

Currently, SecoWarwick's largest sales market is the **US** (37% of sales) served by two local production facilities. Next is **Europe** (30% of sales), which is mainly supplied by plants in Poland. **Asia is the third market** (28% of sales), served by plants in China. In the future, the opening of production in India (currently sales & service; planned production later this year) and an increase in deliveries from China to Europe cannot be ruled out due to the appreciation of the PLN to the USD and generally rising operating costs (manufacturing costs, transport costs), especially in Europe. Geographical diversification is a considerable asset for SecoWarwick in mitigating performance volatility in response to business cycles. In 2022, exposure to **Russia, Belarus and Ukraine** was less than 5%. With the start of the war in Ukraine, SecoWarwick ceased contracting new orders in the Russian market

### Structure of SecoWarwick sales by location in 2022 (%)



Source: SecoWarwick

### Industry exposure

A precise breakdown of SecoWarwick's sales by industry is not possible, as companies ordering capital goods often supply a wide range of metalworking customers themselves.

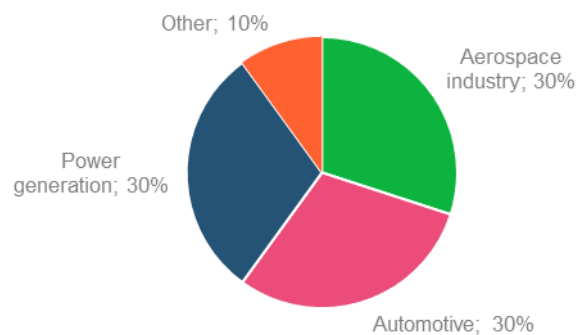
SecoWarwick estimates that the main industries (with comparable exposure) are energy, automotive and aerospace.

**The power industry** uses metalworking furnaces to produce dies, tools, heat exchangers and pipes. Gas turbines are a mature technology that still offer room for development. SecoWarwick's solutions help to manufacture plate & bar heat exchangers, aluminum heat exchangers for the air conditioning and refrigeration industry, and exchangers for steam condensation. The nuclear power industry is also an important customer for solutions. Growing in terms of share is the exposure to renewable energy sources. The largest customers include **Alstom, General Electric, Sandvik, Pratt&Whitney**, but it is worth noting that some customers reserve the right not to disclose the manufacturer of the equipment.

**Automotive** uses heat treatment in the production of gears, bearings, shafts, rings and bushings. What is most important for this industry is the reliability of the solutions, their efficiency and the repeatability of the processes. Hence, solutions addressed to this industry must take into account the need to reduce deformation, reduce process cost, reduce time, use effective and efficient carburizing and reduce CO2 emissions. Major customers include **Bosch, Volkswagen and Toyota**, but it is worth noting that some customers reserve the right not to disclose the manufacturer of the accessory.

**The aerospace industry** needs a solution for the manufacture of aircraft engine blades, heat exchangers, turbine blades, aluminum coatings, landing gear and brakes, among others. SecoWarwick works with virtually all major manufacturers. Some of the largest customers include **Airbus, MTU, Pratt&Whitney, Rolls-Royce**, but it is worth noting that some customers reserve the right not to disclose the manufacturer of the accessory.

### Structure of SecoWarwick sales by industry (%)



Source: SecoWarwick

Other important industries that actively use the solutions offered by SecoWarwick include **medicine** (medical instrument manufacturing, implants, biomedical engineering), **the tooling industry** (dies, aluminum profiles), and **3D printing** (prototypes, metal powders, additive manufacturing). Each year, the number of applications for the devices grows as engineers work to make them responsive to the needs of a changing world.

### Determinants of growth

We currently identify four factors that are influencing growth in orders for capital goods manufactured by SecoWarwick. These are the **relocation of production to the US and Europe** (onshoring) and **deglobalization**, **electromobility**, the **development of renewable energy sources**, the

**increase in defense spending** and investment in **efficiency and reducing environmental impact**.

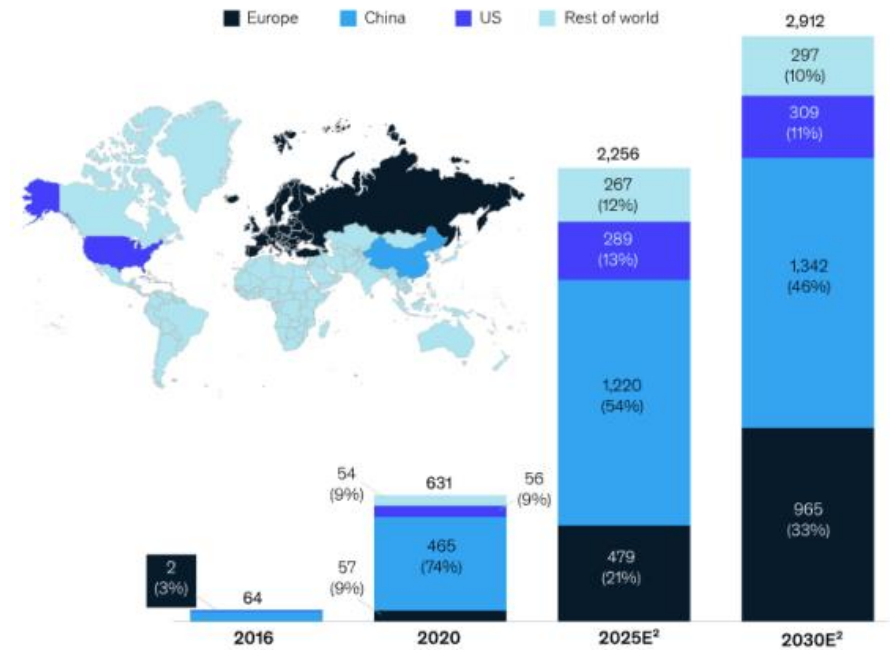
### **Relocation of production to Europe and US**

**The covid pandemic clearly halted globalization trends in the industry.** Stripped supply chains from Asia in 2020, compounded by shortages of electronic components and rapidly rising transport costs, severely disrupted the production plans of global car manufacturers and hampered the work of many plants relying on overseas supplies. Large corporations in Europe were increasing orders from local companies in 2020-22 (questions mainly about product availability, less about price). **The trend was further exacerbated after Russia attacked Ukraine**, when part of the supplies from eastern markets was also hindered or stopped (see fertilizers, steel, problems with the availability of Russian aluminum, transformer plates, also titanium for aviation, where Airbus and Boeing covered 30-50% of their titanium needs in Russia). In our view, further relocation of production to closer locations can be expected in the coming years, benefiting Central and Eastern Europe. Further risks are on the horizon, such as **possible Chinese aggression against Taiwan**, which could upset the supply channels of Chinese goods, or semiconductors and electronics from Taiwan. In addition, it is worth noting the **export restrictions announced in 2Q23 by China on selected metals used in chip production**. Examples include gallium and germanium, of which China controls about 80% of global production, while the US imports about 50% of demand from China. It is also worth noting that China currently supplies more than 70% of the PV modules on which, among others, Europe plans its energy diversification. This last example leads the **European Union to seek the most dynamic development of the production of PV and wind farm components in Europe** in order to increase independence. A similar strategy is taking place in the area of lithium batteries. The US and China are also trying to become independent of external supplies of key equipment.

### **Electromobility**

**New electric vehicle production lines** are an important driver of investment in the industry. The EU is currently deciding on the future of combustion engine cars in Europe. Although it is assumed that e-fuels will be allowed in newly registered cars from 2035, in general, the automotive sector worldwide is betting on battery-powered cars. **The classic gearbox and traditional engine then disappear from the design of the car; the key element is the battery and the electric motor.** The **amount of copper and aluminum used** in the car's construction is **increasing**, and new production lines and components are required to make the vehicle (investment also on the part of automotive parts suppliers). A good example of the trend is the **investment strategy announced by VW, according to which the group is to spend EUR 60bn over the next five years on investments related to electromobility**, digitalization and hybridization (EUR 33bn for electromobility, and EUR 27bn for hybridization and digitalization; 60% of expenditure directed towards fixed asset investments). To give an idea of the scale of the investment required for electromobility, it is worth noting the following forecast of global and European growth in battery cell production.

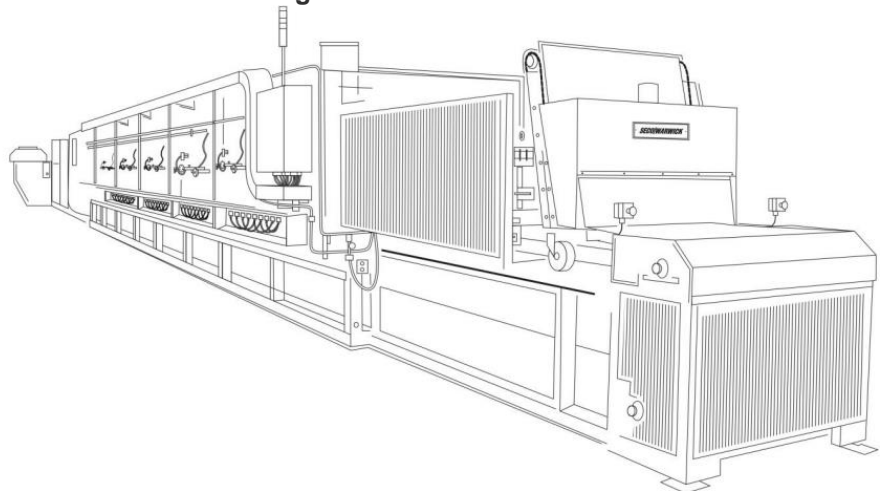
**Battery cell production capacity (GWh, per annum)**



Source: McKinsey

The main beneficiary of the electromobility trend is controlled **atmosphere** brazing (CAB - controlled atmosphere brazing technology within the Aluminum Process segment) segment - used in the brazing of aluminum cooling components for battery systems. The AP segment's order backlog has increased by 160% in the last two years to around PLN 145mn (of which more than half are CAB lines), and we believe it could grow to PLN 200mn in the next five years.

**EV/CAB line for soldering letter-ion batteries**



Source: SecoWarwick

**Renewable energy sources**

The high cost of energy factors has clearly accelerated the development of renewable energy sources. In 2022, the European Union, in response to the cut-off of gas supplies from Russia, proposed the **REPowerEU program to increase EU energy sovereignty** (through renewable energy). As part of the **FIT for 55, the assumptions of a border carbon tax** (so-called CBAM) **were approved, which will take full effect from 2026 and will make it compulsory for importers** (e.g. energy, steel, ammonia) **to purchase CO certificates<sub>2</sub>** to the extent that they generate a carbon footprint. Also in 2022, for the first time ever, the **European Union has**



**prepared a solar energy strategy.** These initiatives allow us to expect further dynamic growth of renewable energy in Europe.

In the case of SecoWarwick products, these are commonly used in **wind turbine** investments (gearbox components, enrichment of metals used in windmill moving parts), but also in **gas/hydrogen blocks** (gas turbine blades, heat exchangers).

**Vector high-pressure gas-cooled vacuum furnace and EV/CAB continuous aluminum brazing furnace**

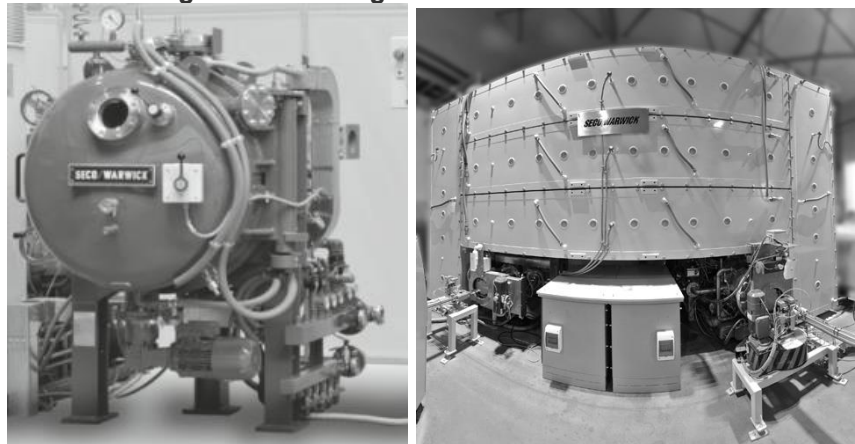


Source: SecoWarwick

**Defense industry**

**Russia's aggression against Ukraine has translated into a significant increase in investment in armaments.** Deliveries of equipment from western countries to Ukraine have necessitated the rebuilding of military capabilities, benefiting the arms industry. SecoWarwick has **exposure to the arms industry through the supply of equipment primarily to the aerospace industry** (jet engine components, landing gear, fuel installation, engine blades, turbine blades and brakes, fasteners and other critical components).

**Ultra-fast induction furnace (VIM) for aerospace and vacuum system for carburizing and hardening customized UniCase Master Custom**



Source: SecoWarwick

**Metal prices, environment, carbon footprint, savings**

**Higher prices for industrial metals** (steel, copper, aluminium) have proven to be a strong driver for the metalworking and metal forming industries. Higher raw material prices and the **concept of a circular economy in the European Union** (circular economy) are increasing interest in recycling and metal recovery. In addition, demand is supported

by an **increasing awareness of environmental impacts** (see ESG, including CO<sub>2</sub>). Below are some examples of applications for SecoWarwick solutions:

- **NG-DRI steel transformation.** Pressure, atmospheric and vacuum furnaces can be used for the 'zero-emission steelmaking' process. Currently, around 150mn tons of steel are produced in Europe, of which ~80mn tons are produced using blast furnace technology. Over the next 50 years, the rising costs of CO<sub>2</sub> (on average, blast furnace technology produces more than 2t CO<sub>2</sub> per ton of steel) and the cross-border tax (CBAM), which is being introduced from 2026, will encourage manufacturers to resort to zero-emission technologies like NG-DRI, or carbon capture). Potentially, in the case of SecoWarwick, this could be an opportunity to sell up to 300 units (several thousand units across Europe) over a five-year timeframe at a few million euros apiece (several billion PLN in sales in a few years).

**Use of SecoWarwick furnace with NG-DRI technology in collaboration with GreenIron**



Source: SecoWarwick

- Increasing **interest in recycled aluminum** - electrolysis requires approx. 17,000 KWh per ton of metal to produce mined aluminum, while the energy intensity of recycled aluminum is ~300-350 KWh. The growing awareness of automotive corporations will drive the growth of the recycling market, especially when corporations start adding up Scope3 emissions. Aluminum and steel are likely to be the first metals for which corporations will be willing to pay significant premiums if the metal comes from recycling (increase in demand for scrap melting furnaces).

**Aluminum melting and annealing furnace**

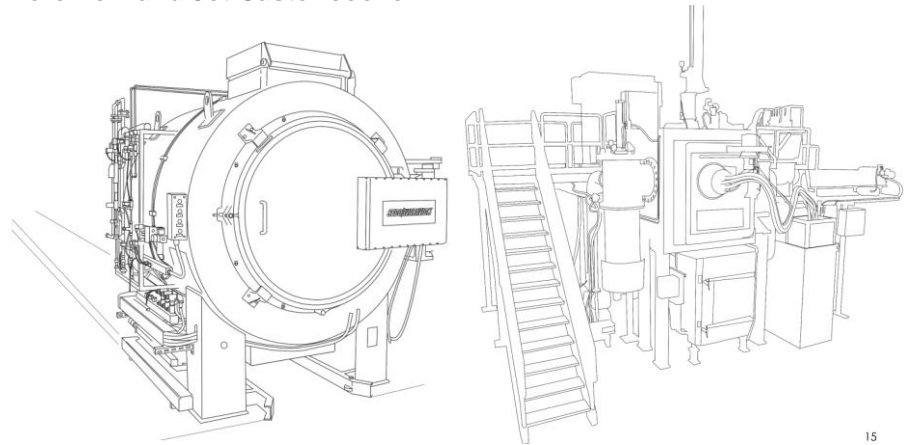


Source: SecoWarwick

- **Increasing the efficiency of production lines.** Investment in **savings on the energy raw material consumption side.** For example, the Vortex furnace reduces component processing time by up to 30% compared to other technologies. The Jet Caster furnace halves casting crystallization time and increases production efficiency by 82% (40% reduction in energy

intensity). The ZeroFlow furnace gives an 8x reduction in ammonia consumption in the nitrocarburization process.

### ZeroFlow and Jet Caster cooker

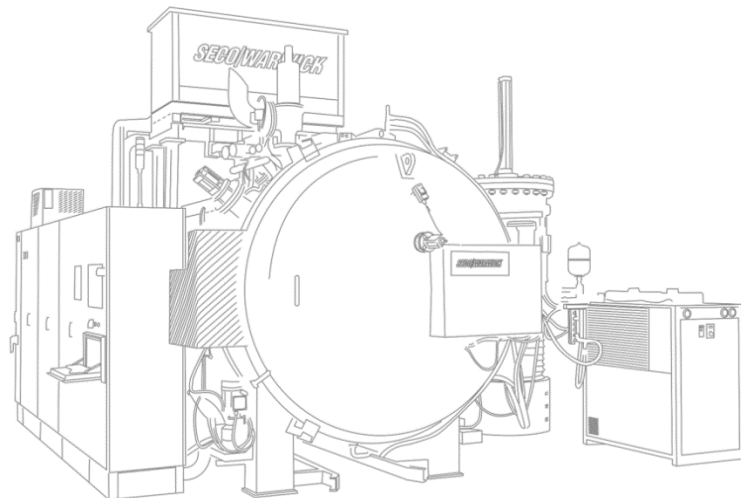


Source: SecoWarwick

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- **no gas emissions when processing metals.** The VECTOR furnace line uses no fossil fuels in the process and emits no greenhouse gases and no harmful substances.

### VECTOR cooker



Source: SecoWarwick

- **production of amorphous metals, processing of titanium and rare earth metals in general, production of metal powders for 3D printing.**

### Competition

Competition for SecoWarwick's products is varied and depends on the business segment in question. For **aluminum processing lines**, the market is similar in value to vacuum furnaces. SecoWarwick's position in aluminum processing is TOP5. In contrast, the market for **aluminum atmospheric processing lines (CAB lines within the AP segment)** is the smallest of all segments, with SecoWarwick TOP1 in terms of projects worldwide. Given the increasing demand for battery brazing lines with cooling systems, this market can, in our opinion, record high growth rates in the future, which should also be followed by SecoWarwick's order book. In the case of **atmospheric furnace lines**, SecoWarwick was one of around a few hundred to a thousand similar players in the industry (there are around 100 significant global competitors in the segment, while the entire segment, including all competitors, local and low-end companies, could number up to 1,000 players). The lack of clear competitive advantages and the progressive

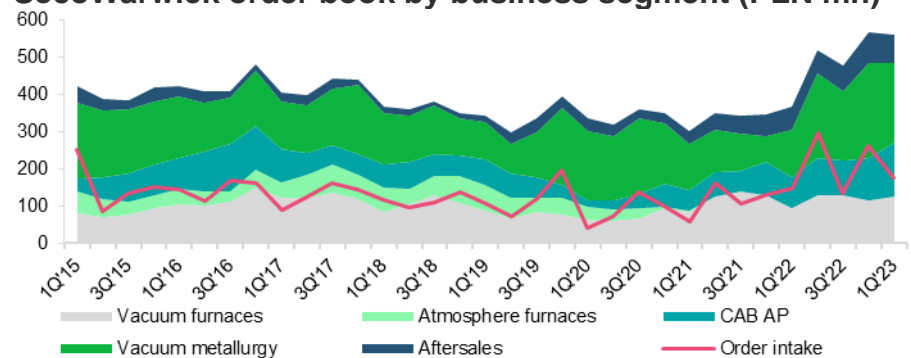
decline of the technology have prompted SecoWarwick to leave the segment. In the case of **vacuum furnaces**, there are approx. 20 significant companies. The remaining companies (approx. 100-150) are local (mainly Asian) players with global exposure and they do not supply key global customers (OEMs). The high technological sophistication of the equipment and access to key markets provides opportunities to increase market share in the future. In terms of **melting furnaces**, the market is very broad, with very extensive specialization (Retech is one of the market leaders; a smaller market than for vacuum and AP furnaces).

Overall, SecoWarwick's biggest competitive advantages are **access to highly qualified engineering staff, its own highly advanced technology and its presence in key sales markets close to the customer** (Europe, US, China). **Cost advantages** are the manufacturing locations in **Poland and China**.

### Financial forecasts

The SecoWarwick group's **order book** rose to a record PLN 560mn at the end of 1Q23. Relative to 1Q21, this represents virtually a doubling of the value of orders won, with aluminum processing equipment (Aluminum Process; +160%) the highest-growing sector in the period, followed by melting furnaces (+70%) and vacuum furnaces (+50%). The **value of new orders won** in 2022 was a record PLN 842mn, of which the highest was for melting furnaces (PLN 332mn), followed by aluminum processing lines (AP; PLN 182mn) and vacuum furnaces (PLN 182mn). It is worth noting the growing orders in Aftersales and Service, which is the most profitable part of SecoWarwick's business (over PLN 70mn of orders at the end of 1Q23).

### SecoWarwick order book by business segment (PLN mn)



Source: SecoWarwick, Erste Group Research

On the basis of the order book, we assume that **sales revenues** in 2023 will exceed PLN 700mn and will be 13% higher y/y. The CAB AP and melting furnace segments will see the highest growth, followed by vacuum furnaces. We assume that, in the long term, the CAB AP segment will be one of the main drivers of revenue growth in the following years (due to investments in electromobility).

We assume that **EBITDA** in 2023 will grow at a lower rate than revenues, due to higher staff costs, selling and management costs and the strengthening of the PLN against the USD and EUR.

We assume that **net profit** in 2023 will be comparable y/y, due to higher financing costs and higher CIT.

**Income statement**

| (mn PLN)                    | 2021       | 2022       | 2023e      | 2024e      | 2025e      |
|-----------------------------|------------|------------|------------|------------|------------|
| <b>Net sales</b>            | <b>463</b> | <b>623</b> | <b>701</b> | <b>743</b> | <b>854</b> |
| Vacuum furnaces             | 137        | 191        | 161        | 160        | 174        |
| Atmosphere furnaces         | 2          | 0          | 0          | 0          | 0          |
| CAB AP                      | 98         | 154        | 174        | 213        | 268        |
| Vacuum metallurgy           | 127        | 152        | 204        | 201        | 240        |
| Aftersales                  | 98         | 124        | 161        | 168        | 170        |
| Other                       | 0          | 2          | 1          | 1          | 1          |
| <b>Costs</b>                | <b>359</b> | <b>485</b> | <b>550</b> | <b>586</b> | <b>673</b> |
| Gross profit from sales     | 104        | 137        | 151        | 157        | 180        |
| Vacuum furnaces             | 32         | 44         | 34         | 32         | 35         |
| Atmosphere furnaces         | -3         | 0          | 0          | 0          | 0          |
| CAB AP                      | 18         | 38         | 38         | 46         | 59         |
| Vacuum metallurgy           | 30         | 16         | 31         | 28         | 34         |
| Aftersales                  | 27         | 40         | 48         | 51         | 53         |
| Other                       | 0          | 0          | 0          | 0          | 0          |
| <b>EBIT</b>                 | <b>24</b>  | <b>42</b>  | <b>45</b>  | <b>45</b>  | <b>59</b>  |
| Net financials              | -1         | -3         | -6         | -4         | -2         |
| Gross profit                | 19         | 33         | 39         | 42         | 56         |
| CIT                         | 2          | 1          | 10         | 10         | 13         |
| Minorities                  | 0          | 1          | 1          | 1          | 1          |
| Net Income after minorities | 17         | 31         | 30         | 33         | 45         |
| <b>adj. EBITDA</b>          | <b>37</b>  | <b>57</b>  | <b>60</b>  | <b>61</b>  | <b>75</b>  |
| <b>adj. Net profit</b>      | <b>17</b>  | <b>31</b>  | <b>30</b>  | <b>33</b>  | <b>45</b>  |

Source: SecoWarwick, forecasts by Erste Group Research

**Cash flow**

| (mn PLN)                                   | 2021        | 2022        | 2023e       | 2024e       | 2025e       |
|--|-------------|-------------|-------------|-------------|-------------|
| <b>Cash flow from operating activities</b> | <b>10</b>   | <b>27</b>   | <b>36</b>   | <b>44</b>   | <b>41</b>   |
| Working capital                            | -3          | 12          | -10         | -4          | -20         |
| <b>Cash flow from investing activities</b> | <b>-9</b>   | <b>-12</b>  | <b>-16</b>  | <b>-17</b>  | <b>-18</b>  |
| CAPEX                                      | -9          | -12         | -16         | -17         | -18         |
| <b>Cash flow from financing activities</b> | <b>0</b>    | <b>5</b>    | <b>-21</b>  | <b>-21</b>  | <b>-24</b>  |
| Dividend/buyback                           | -14         | -3          | -10         | -12         | -16         |
| <b>Cash flow</b>                           | <b>0</b>    | <b>0</b>    | <b>-1</b>   | <b>7</b>    | <b>-1</b>   |
| CFO/EBITDA                                 | 26%         | 47%         | 59%         | 72%         | 55%         |
| FCFF                                       | 18          | 38          | 52          | 61          | 59          |
| <b>FCFF/EV</b>                             | <b>6%</b>   | <b>13%</b>  | <b>18%</b>  | <b>22%</b>  | <b>22%</b>  |
| DPS  | 0.48        | 0.25        | 1.00        | 1.20        | 1.63        |
| Dividend payment ratio                     | 35.9%       | 15.1%       | 32.7%       | 40.0%       | 50.0%       |
| <b>DYield</b>                              | <b>1.8%</b> | <b>0.9%</b> | <b>3.7%</b> | <b>4.4%</b> | <b>6.0%</b> |

Source: SecoWarwick, forecasts by Erste Group Research

We assume an improvement in **cash flow from operations in 2023**, which, assuming investment is maintained at replacement level, will lead to the generation of financial surpluses (partly paid out in dividends).

We assume that SecoWarwick's **net debt** will be approx. PLN 2mn at the end of 2023, a very low level that provides an opportunity to increase the dividend stream to shareholders in the future.

#### Balance sheet

| (mn PLN)                      | 2021       | 2022       | 2023e      | 2024e      | 2025e      |
|-------------------------------|------------|------------|------------|------------|------------|
| <b>Fixed assets</b>           | <b>167</b> | <b>166</b> | <b>172</b> | <b>173</b> | <b>175</b> |
| Tangible assets               | 75         | 82         | 88         | 89         | 91         |
| Intangible assets             | 47         | 48         | 48         | 48         | 48         |
| Goodwill                      | 41         | 32         | 32         | 32         | 32         |
| Deferred charges and accruals | 1          | 2          | 2          | 2          | 2          |
| <b>Current assets</b>         | <b>295</b> | <b>415</b> | <b>457</b> | <b>487</b> | <b>547</b> |
| Inventories                   | 62         | 89         | 100        | 106        | 122        |
| Receivables                   | 106        | 106        | 120        | 127        | 146        |
| Cash                          | 41         | 74         | 73         | 80         | 79         |
| <b>Equity</b>                 | <b>167</b> | <b>222</b> | <b>247</b> | <b>267</b> | <b>296</b> |
| Minorities                    | 1          | 2          | 3          | 4          | 5          |
| <b>Long term liabilities</b>  | <b>23</b>  | <b>26</b>  | <b>21</b>  | <b>16</b>  | <b>11</b>  |
| Debt                          | 23         | 26         | 21         | 16         | 11         |
| <b>Short term liabilities</b> | <b>100</b> | <b>150</b> | <b>161</b> | <b>166</b> | <b>182</b> |
| Debt                          | 34         | 65         | 65         | 65         | 65         |
| Trade liabilities             | 66         | 85         | 95         | 101        | 116        |
| Deferred charges and accruals | 80         | 127        | 143        | 152        | 175        |
| <b>Net Debt</b>               | <b>16</b>  | <b>-2</b>  | <b>2</b>   | <b>-8</b>  | <b>-20</b> |
| DN/EBITDA                     | 0.4        | 0.3        | 0.2        | 0.0        | 0.0        |
| DN/adjusted EBITDA            | 0.4        | 0.3        | 0.2        | 0.0        | 0.0        |

Source: SecoWarwick, forecasts by Erste Group Research

#### Ratios

|                       | 2021        | 2022        | 2023e       | 2024e       | 2025e       |
|-----------------------|-------------|-------------|-------------|-------------|-------------|
| P/E                   | 16.4        | 9.1         | 9.0         | 8.3         | 6.1         |
| <b>P/E adj.</b>       | <b>16.4</b> | <b>9.1</b>  | <b>9.0</b>  | <b>8.3</b>  | <b>6.1</b>  |
| EV/EBITDA             | 8.0         | 5.2         | 4.7         | 4.4         | 3.6         |
| <b>EV/EA adj.</b>     | <b>8.0</b>  | <b>5.2</b>  | <b>4.7</b>  | <b>4.4</b>  | <b>3.6</b>  |
| P/S                   | 0.6         | 0.4         | 0.4         | 0.4         | 0.3         |
| P/BV                  | 1.7         | 1.3         | 1.1         | 1.0         | 0.9         |
| <b>EBITDA margin</b>  | <b>8.0%</b> | <b>9.2%</b> | <b>8.6%</b> | <b>8.2%</b> | <b>8.7%</b> |
| EBITDA r/r change     | 15%         | 55%         | 5%          | 2%          | 22%         |
| Net income margin     | 3.7%        | 4.9%        | 4.3%        | 4.4%        | 5.2%        |
| <b>EPS y/y change</b> | <b>123%</b> | <b>181%</b> | <b>101%</b> | <b>109%</b> | <b>137%</b> |
| Share price (PLN)     | 27.00       | 27.00       | 27.00       | 27.00       | 27.00       |
| Number of shares (mn) | 10.3        | 10.3        | 10.0        | 10.0        | 10.0        |
| MCap                  | 278         | 278         | 270         | 270         | 270         |
| EV                    | 294         | 296         | 284         | 272         | 268         |

Source: SecoWarwick, forecasts by Erste Group Research

## Dividend policy

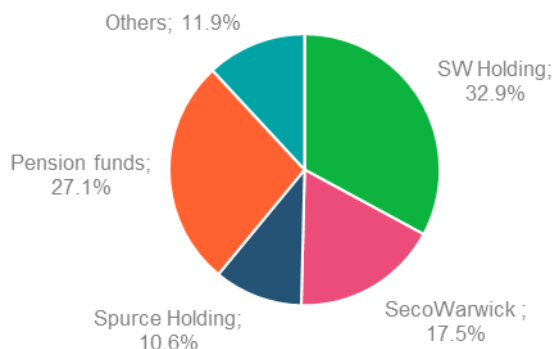
SecoWarwick does not have a declared dividend policy, but **the intention is to pay a regular** dividend. The company has carried out share buybacks in previous years (the most recent in 2020 and 2021) at a significantly lower price than at present (PLN 14.5). There will now be a preference to pay a dividend rather than carry out another buyback.

## Shareholders

SecoWarwick's largest shareholder is **SW Holding, SWH (33%)**, whose beneficiaries are, in comparable shares, Andrzej Zawistowski and Janusz Gudaczewski. The controlling company's share capital is PLN 50mn and its registered office is in Poznań. **SecoWarwick** currently holds 1,682,189 treasury shares (following the recent grant of shares to managers under the incentive scheme). At the last AGM in 2023, the redemption of 298,554 shares was resolved. As a result, the number of shares (which will also be the number of shares outstanding) will fall to 10,000,000. After the registration of the cancellation, SecoWarwick will still hold 1,383,635 treasury shares (14% of the capital). At this time, the company is not communicating its intention to cancel the remaining shares, but also has not ruled out doing so in the past. **Spruce Holding (SHLLC)** controls almost 11% of the shares (dependent on Jeffrey Boswell - who sits on the company's supervisory board). **Open Pension Funds** control around 27% of the company's shares. Other shareholders account for approx. 12%.

On November 8, 2016, the shareholders (SW Holding, Spruce Holding, Paweł Wyrzykowski, Andrzej Zawistowski and Bartosz Klinowski) entered into a Share Lock-Up Agreement. The restriction on the disposal, offering and pledge of the company's shares resulting from the Agreement was valid until December 31, 2020 at the latest. By virtue of an addendum concluded on August 7, 2019, the validity of the Agreement was extended until December 31, 2023, in respect of the following shareholdings: (3,387,139 shares in the company held by SWH, 1,123,337 shares held by SHLLC, 307,058 shares held by Paweł Wyrzykowski, 65,000 shares held by Andrzej Zawistowski, 84,981 shares held by Bartosz Klinowski.

### SecoWarwick shareholding structure (%)



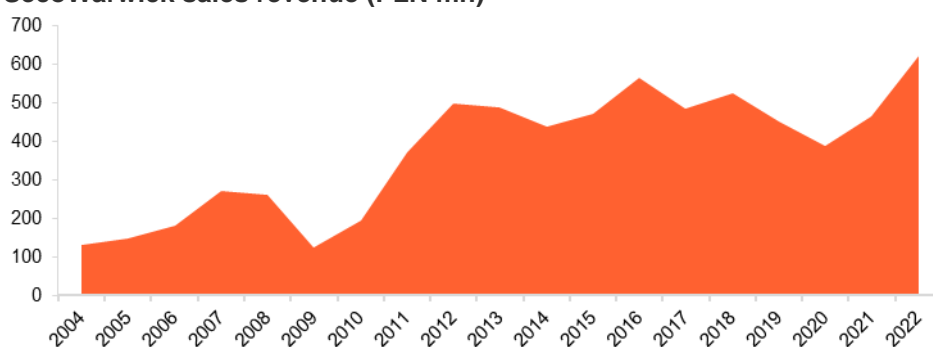
Source: SecoWarwick, Stooq.pl

## History of group

The history of the SecoWarwick group begins in 1984 with the registration of the SecoWarwick trademark. In 1991, Seco Warwick forms a joint venture with **Trans-Vac** (a company founded by Andrzej Zawistowski and Janusz Gudaczewski) and SecoWarwick sp. z o.o. is established. In 2002, the group acquired the intellectual property of **Camlaw** Ltd (aluminum soldering competence) and in 2003 SecoWarwick acquired the Polish company **Elterma**, with a strong market position in Eastern Europe. The group opened a sales and customer service office in Moscow in 2004. In

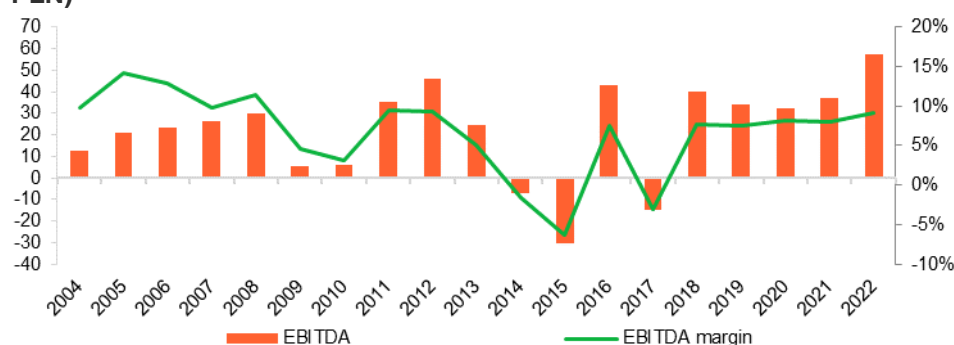
2006, a joint venture with **Tianjin Kama Electric Manufacturing** completes the line-up - the result is SecoWarwick Tianjin Industrial Furnance. In 2005, the group enters the US market by purchasing **SecoWarwick Corp.** In 2007, the company's IPO on the Warsaw Stock Exchange took place. With the issue proceeds, the company invests in **Retech Systems LLC in the US.** In 2008, SecoWarwick Allied in India is formed. In 2010, SecoWarwick and Retech Systems LLC establish a new company in China - Seco/Warwick Retech Thermal Equipment Manufacturing Tianjin. In 2011, SecoWarwick acquires the remaining shares in Retech, also in the same year a sales & service representative office of **SecoWarwick GmbH** is established in Stuttgart (with a 51% share, bought out to 100% in 2012). In 2013, the acquisition of a company in Brazil took place, and in 2015 a sales & service company in France is established (liquidated in 2019). The group closes part of the business in India in 2018 - the sales & service company SecoWarwick Systems and Services remains there.

### SecoWarwick sales revenue (PLN mn)



Source: SecoWarwick

### EBITDA (left scale) and EBITDA margin (right scale) SecoWarwick (mn PLN)



Source: SecoWarwick

SecoWarwick's turnover since 2004 has increased from PLN 130mn to PLN 623mn in 2022. **The average annual CAGR over this period was 23%.**

SecoWarwick's realized margins have clearly stabilized between 2018 and 2022, due to a more cautious approach to contract bidding and pricing. The poor performance of 2009/2010 is a result of the economic crisis and the drastic decrease in the order book at that time. The negative results of 2014 and 2015 are the results of the write-down of two large contracts that SecoWarwick entered into during this period and the need to incur additional performance costs not previously expected (large write-downs in other operating activities during this time). The loss in 2017 is due to the negative profitability in the melting furnace segment at that time.



## Preview for 2Q23

In 2Q23, we expect **sales revenue** to reach PLN 176mn, up 17% y/y, as a result of the company's record order book.

We assume clear revenue growth in the Melt Furnace, Aluminum Process and Aftermarket segments.

In our view, **EBITDA profitability** in 2Q23 will be lower both y/y and q/q, due to the appreciation of the PLN against the USD and EUR and an increase in selling and management costs. We expect higher personnel costs. As a result, we expect 2Q23 **EBITDA to be** PLN 14mn, 12% lower y/y.

| PLN mn        | Q2'23e | Q2'22 | y/y  | 2023e | YTD |
|---------------|--------|-------|------|-------|-----|
| Revenues      | 176    | 150   | 17%  | 701   | 50% |
| EBITDA        | 14     | 16    | -12% | 60    | 51% |
| EBITDA margin | 8%     | 11%   |      | 9%    |     |
| EBIT          | 10     | 12    | -19% | 45    | 50% |
| Net income    | 7      | 12    | -41% | 30    | 53% |

Source: SecoWarwick, forecasts by Erste Group Research

We assume that the inflow of **new orders** in 2Q23 may have been below realized revenues, leading to a decline in the **order backlog** q/q, but it should still be higher y/y, and despite the strengthening of the PLN y/y as well.

| PLN mn              | Q1'22 | Q2'22 | Q3'22 | Q4'22 | Q1'23 | Q2'23e |
|---------------------|-------|-------|-------|-------|-------|--------|
| Vacuum furnaces     | 48    | 50    | 54    | 39    | 45    | 44     |
| Atmosphere furnaces | 0     | 0     | 0     | 0     | 0     | 0      |
| CAB AP              | 26    | 38    | 43    | 48    | 33    | 43     |
| Vacuum metallurgy   | 21    | 33    | 42    | 56    | 60    | 51     |
| Aftersales          | 27    | 29    | 38    | 30    | 33    | 37     |
| Other               | 0     | 0     | 0     | 1     | 0     | 1      |
| EBITDA              | 10    | 16    | 21    | 10    | 16    | 14     |
| EBITDA margin       | 8%    | 11%   | 12%   | 6%    | 10%   | 8%     |
| OCF                 | 12    | -21   | 17    | 18    | 2     | 7      |
| Backlog             | 369   | 520   | 479   | 566   | 560   | 534    |
| Order intake        | 148   | 296   | 136   | 262   | 174   | 150    |

Source: SecoWarwick, forecasts by Erste Group Research

| <b>Income Statement</b>                        | <b>2020</b>   | <b>2021</b>   | <b>2022</b>   | <b>2023e</b>  | <b>2024e</b>  | <b>2025e</b>  |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| (IAS, PLN mn, 31/12)                           | 31/12/2020    | 31/12/2021    | 31/12/2022    | 31/12/2023    | 31/12/2024    | 31/12/2025    |
| <b>Net sales</b>                               | <b>389.48</b> | <b>463.20</b> | <b>622.73</b> | <b>700.51</b> | <b>742.79</b> | <b>853.81</b> |
| Cost of goods sold                             | 304.48        | 358.94        | 485.39        | 549.54        | 585.51        | 673.48        |
| <b>Gross profit</b>                            | <b>85.00</b>  | <b>104.26</b> | <b>137.34</b> | <b>150.97</b> | <b>157.28</b> | <b>180.32</b> |
| SG&A   | 73.35         | 76.41         | 94.77         | 106.32        | 112.04        | 121.81        |
| Other operating revenues                       | 9.90          | 2.12          | 4.84          | 0.00          | 0.00          | 0.00          |
| Other operating expenses                       | -2.52         | -5.96         | -5.36         | 0.00          | 0.00          | 0.00          |
| <b>EBITDA</b>                                  | <b>32.03</b>  | <b>36.91</b>  | <b>57.06</b>  | <b>60.06</b>  | <b>61.20</b>  | <b>74.57</b>  |
| Depreciation/amortization                      | 13.00         | 12.89         | 15.01         | 15.41         | 15.95         | 16.05         |
| <b>EBIT</b>                                    | <b>19.04</b>  | <b>24.01</b>  | <b>42.05</b>  | <b>44.65</b>  | <b>45.24</b>  | <b>58.51</b>  |
| Financial result                               | -2.03         | -0.62         | -3.09         | -5.59         | -3.54         | -2.22         |
| Extraordinary result                           | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          |
| <b>EBT</b>                                     | <b>17.15</b>  | <b>19.45</b>  | <b>33.34</b>  | <b>39.06</b>  | <b>41.70</b>  | <b>56.29</b>  |
| Income taxes                                   | 3.04          | 2.15          | 1.28          | 9.82          | 9.95          | 12.87         |
| Result from discontinued operations            |               |               |               |               |               |               |
| Minorities and cost of hybrid capital          | 10.34         | 11.40         | 13.44         | 13.78         | 14.83         | 16.13         |
| <b>Net result after minorities</b>             | <b>13.77</b>  | <b>16.91</b>  | <b>30.62</b>  | <b>30.01</b>  | <b>32.59</b>  | <b>44.54</b>  |
| <b>Balance Sheet</b>                           | <b>2020</b>   | <b>2021</b>   | <b>2022</b>   | <b>2023e</b>  | <b>2024e</b>  | <b>2025e</b>  |
| (IAS, PLN mn, 31/12)                           |               |               |               |               |               |               |
| Intangible assets                              | 77.98         | 75.23         | 82.00         | 87.72         | 88.77         | 90.72         |
| Tangible assets                                | 45.44         | 47.30         | 48.47         | 48.47         | 48.47         | 48.47         |
| Financial assets                               | 0.99          | 2.06          | 2.19          | 2.19          | 2.19          | 2.19          |
| <b>Total fixed assets</b>                      | <b>157.14</b> | <b>166.89</b> | <b>166.20</b> | <b>171.92</b> | <b>172.97</b> | <b>174.92</b> |
| Inventories                                    | 286.92        | 295.35        | 415.46        | 457.16        | 486.93        | 547.18        |
| Receivables and other current assets           | 102.70        | 105.57        | 106.38        | 119.67        | 126.89        | 145.86        |
| Other assets                                   | 80.11         | 98.01         | 157.94        | 177.17        | 188.08        | 215.10        |
| Cash and cash equivalents                      | 52.56         | 41.20         | 73.90         | 72.94         | 79.52         | 78.87         |
| <b>Total current assets</b>                    | <b>367.03</b> | <b>393.35</b> | <b>573.41</b> | <b>634.34</b> | <b>675.02</b> | <b>762.28</b> |
| <b>TOTAL ASSETS</b>                            | <b>444.06</b> | <b>462.24</b> | <b>581.66</b> | <b>629.09</b> | <b>659.90</b> | <b>722.10</b> |
| <b>Shareholders'equity</b>                     | <b>203.52</b> | <b>166.64</b> | <b>221.66</b> | <b>246.81</b> | <b>267.39</b> | <b>295.64</b> |
| <b>Minorities</b>                              | <b>0.85</b>   | <b>1.20</b>   | <b>2.41</b>   | <b>3.19</b>   | <b>4.02</b>   | <b>5.15</b>   |
| <b>Hybrid capital and other reserves</b>       | <b>0.00</b>   | <b>0.00</b>   | <b>0.00</b>   | <b>0.00</b>   | <b>0.00</b>   | <b>0.00</b>   |
| <b>Pension and other LT personnel accruals</b> | <b>0.00</b>   | <b>0.00</b>   | <b>0.00</b>   | <b>0.00</b>   | <b>0.00</b>   | <b>0.00</b>   |
| <b>LT provisions</b>                           | <b>0.00</b>   | <b>0.00</b>   | <b>0.00</b>   | <b>0.00</b>   | <b>0.00</b>   | <b>0.00</b>   |
| Interest-bearing LT debts                      | 28.00         | 23.47         | 26.34         | 21.34         | 16.34         | 11.34         |
| Other LT liabilities                           | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          |
| <b>Total long-term liabilities</b>             | <b>28.00</b>  | <b>23.47</b>  | <b>26.34</b>  | <b>21.34</b>  | <b>16.34</b>  | <b>11.34</b>  |
| Interest-bearing ST debts                      | 28.65         | 34.05         | 65.45         | 65.45         | 65.45         | 65.45         |
| Other ST liabilities                           | 174.20        | 157.46        | 224.12        | 251.62        | 267.02        | 305.84        |
| <b>Total short-term liabilities</b>            | <b>79.30</b>  | <b>100.07</b> | <b>150.14</b> | <b>160.72</b> | <b>166.47</b> | <b>181.57</b> |
| <b>TOTAL LIAB. , EQUITY</b>                    | <b>444.06</b> | <b>462.24</b> | <b>581.66</b> | <b>629.09</b> | <b>659.90</b> | <b>722.10</b> |
| <b>Cash Flow Statement</b>                     | <b>2020</b>   | <b>2021</b>   | <b>2022</b>   | <b>2023e</b>  | <b>2024e</b>  | <b>2025e</b>  |
| (IAS, PLN mn, 31/12)                           |               |               |               |               |               |               |
| Cash flow from operating activities            | 36.38         | 9.56          | 26.55         | 35.63         | 44.12         | 40.87         |
| Cash flow from investing activities            | -7.03         | -8.55         | -11.67        | -16.00        | -17.00        | -18.00        |
| Cash flow from financing activities            | 16.74         | 0.90          | 19.84         | -0.96         | 6.58          | -0.64         |
| <b>CHANGE IN CASH , CASH EQU.</b>              | <b>16.74</b>  | <b>0.90</b>   | <b>19.84</b>  | <b>-0.96</b>  | <b>6.58</b>   | <b>-0.64</b>  |
| <b>Margins &amp; Ratios</b>                    | <b>2020</b>   | <b>2021</b>   | <b>2022</b>   | <b>2023e</b>  | <b>2024e</b>  | <b>2025e</b>  |
| Sales growth                                   | -13.7%        | 18.9%         | 34.4%         | 12.5%         | 6.0%          | 14.9%         |
| EBITDA margin                                  | 8.2%          | 8.0%          | 9.2%          | 8.6%          | 8.2%          | 8.7%          |
| EBIT margin                                    | 4.9%          | 5.2%          | 6.8%          | 6.4%          | 6.1%          | 6.9%          |
| Net profit margin                              | 3.5%          | 3.7%          | 4.9%          | 4.3%          | 4.4%          | 5.2%          |
| ROE  | 7.9%          | 9.1%          | 15.8%         | 12.8%         | 12.7%         | 15.8%         |
| ROCE   | 7.8%          | 7.6%          | 11.3%         | 7.1%          | 8.7%          | 13.0%         |
| Equity ratio                                   | 45.6%         | 35.8%         | 37.7%         | 38.7%         | 39.9%         | 40.2%         |
| Net debt                                       | 4.1           | 16.3          | 17.9          | 13.9          | 2.3           | -2.1          |
| Working capital                                | 207.6         | 195.3         | 265.3         | 296.4         | 320.5         | 365.6         |
| Capital employed                               | 206.8         | 181.8         | 237.1         | 257.5         | 265.6         | 288.4         |
| Inventory turnover                             | -1.1          | -1.2          | -1.4          | -1.3          | -1.2          | -1.3          |

Source: SecoWarwick, forecasts by Erste Group Research

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