

FLASH NOTE

Seco Warwick - Buy

Target Price: PLN 33.33 | Close as of 13/11/2023: PLN 28.80

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Q3'23 results review

In Q3'23, **consolidated sales revenues** were 6% below ours and 14% lower year-on-year. Revenues in the Vacuum metallurgy and Aftersales (aftermarket services) segments were weaker than we expected.

Gross profit on sales in Q3'23 was virtually in line with our estimates, but we were negatively surprised by a larger-than-anticipated decline in profitability in the CAB AP segment, which in turn was offset by unusually strong profitability in the Aftersales segment. Slightly positive results surprised in the vacuum furnace and vacuum metallurgy segments.

PLN mn	Q3'23	Q3'22	Change	Q3'23e	Diff.	2023e	YTD
Revenues	152	176	-14%	161	-6%	701	72%
EBITDA	12	21	-43%	11	8%	60	69%
EBITDA margin	8%	12%		7%		9%	
EBIT	8	17	-55%	7	7%	45	65%
Net income	5	10	-50%	5	16%	30	67%

PLN mn	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	change y/y	Q3'23e	Diff.
Vacuum furnaces	48	50	54	39	45	49	48	-10%	47	3%
Atmosphere furnaces	0	0	0	0	0	0	0		0	
CAB AP	26	38	43	48	33	41	32	-25%	31	2%
Vacuum metallurgy	21	33	42	56	60	50	39	-6%	44	-10%
Aftersales	27	29	38	30	33	39	33	-12%	39	-14%
Other	0	0	0	1	0	0	-2	-2846%	0	-3176%
EBITDA	10	16	21	10	16	13	12	-43%	11	8%
EBITDA margin	8%	11%	12%	6%	10%	7%	8%		7%	
OCF	12	-21	17	18	2	-9	10	-44%	3	190%
Backlog	369	520	479	566	560	524	527	10%	500	5%
Order intake	148	296	136	262	174	136	157	15%	137	14%

EBITDA in Q3'23 amounted to PLN 12mn and was 8% higher than we estimated. The results are worth noting the PLN 0.5mn positive impact of the reversal of provisions.

Net profit was 16% above our expectations as a result of a lower balance on financing activities.

In Q3'23, **operating cash flow** was a positive surprise, but **net debt** was slightly higher q/q at PLN 70mn.

In Q3'23, the value of **new orders won** was a positive surprise, despite the observed strengthening of the PLN. The **order backlog** at the end of Q3'23 increased q/q and was 5% higher than our forecast.

OPINION: SLIGHTLY POSITIVE

Q3'23 results were slightly above our expectations. Aftersales surprised positively in the quarter, with virtually record margins, higher cash flow from operations and a higher-than-anticipated value of new orders won. Of the weaknesses, it is worth noting locally lower turnover in the CAB AP segment and higher q/q net debt.

In this document we are not changing our recommendation, forecasts, or price target for Seco Warwick.

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