

## FLASH NOTE

# Seco Warwick - Buy

Target Price: PLN 33.33 | Close as of 17/01/2024: PLN 30.00

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## Q4'23 results preview

According to our forecasts, Seco Warwick's consolidated **sales revenue** in Q4'23 may be comparable y/y. We assume clear sales increases in the vacuum furnace and Aftersales segments. Weaker y/y sales, in our opinion, will take place in the CAB AP and melting furnace segments.

PLN mn	Q4'23e	Q4'22	y/y	2023e	YTD
Revenues	176	174	1%	678	97%
EBITDA	12	10	16%	53	89%
EBITDA margin	7%	6%		9%	
EBIT	9	6	41%	38	84%
Net income	6	7	-16%	26	87%

In Q4'23, we anticipate a clear y/y improvement in profitability on vacuum furnace production and a large contribution from the high-margin Aftersales segment. This, in turn, translates into a marked improvement in Q4'23 results at the **EBITDA** level (+16% y/y). The projected lower y/y **net result** is due to negative foreign exchange differences booked in Q4'23.

Sales (PLN mn)	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23e
Vacuum furnaces	48	50	54	39	45	49	48	46
Atmosphere furnaces	0	0	0	0	0	0	0	0
CAB AP	26	38	43	48	33	41	32	33
Vacuum metallurgy	21	33	42	56	60	50	39	46
Aftersales	27	29	38	30	33	39	33	50
Other	0	0	0	1	0	0	-2	0
EBITDA	10	16	21	10	16	13	12	13
EBITDA margin	8%	11%	12%	6%	10%	7%	8%	7%
OCF	12	-21	17	18	2	-9	10	20
Backlog	369	520	479	566	560	524	532	576
Order intake	148	296	136	262	174	136	157	220

In our view, Seco Warwick will report a marked improvement in **cash flow from operations** in Q4'23 and, as a result, a decline in **net debt** relative to Q3'23.

In our view, Seco Warwick may record a marked improvement in **new order contracting** in Q4'23 (the highest quarterly in 2023), which in turn will lead to a record **order backlog** in the Company's history (PLN 576mn).

**OPINION: SLIGHTLY POSITIVE**

*Seco Warwick will, in our view, positively surprise with a successful year-end with improved y/y results and strong cash flow from operations. In our view, the high inflow of new orders will pay off with a record order backlog in the Company's history. As a result, the high backlog may also boost investors' confidence in the Management Board's 2024 incentive program target (PLN 31.4mn -> implies 9x P/E'14).*

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

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