

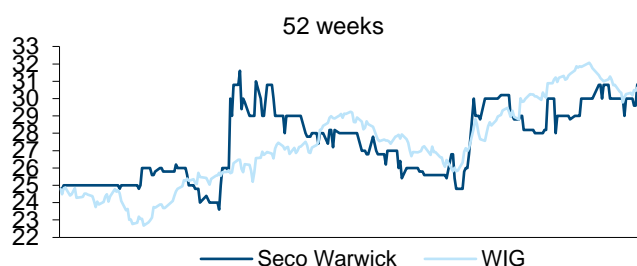
## COMPANY REPORT

# Seco Warwick

## Buy

PLN mn	2022	2023e	2024e	2025e
Net sales	622.7	677.8	741.0	786.4
EBITDA	57.1	55.0	60.1	63.4
EBIT	42.1	38.3	43.4	45.5
Net result after min.	30.6	26.2	31.4	32.6
EPS (PLN)	2.97	2.62	3.14	3.26
CEPS (PLN)	4.43	4.29	4.81	5.05
BVPS (PLN)	21.52	24.30	26.39	28.08
Div./share (PLN)	0.25	1.00	1.05	1.57
EV/EBITDA (x)	4.3	6.4	6.1	5.8
P/E (x)	7.4	11.9	9.9	9.6
P/CE (x)	5.0	7.3	6.5	6.2
Dividend Yield	1.1%	3.2%	3.4%	5.0%

Share price (PLN) close as of 31/01/2024	31.2
Number of shares (mn)	10.0
Market capitalization (PLN mn / EUR mn)	312 / 72
Enterprise value (PLN mn / EUR mn)	351 / 81



Performance	12M	6M	3M	1M
in PLN	25.8%	11.4%	4.0%	4.0%

Reuters	SWG.WA	Free float	34.5%
Bloomberg	SWG PW	Shareholders	SW Holding (32.9%)
Div. Ex-date			SecoWarwick (13.84%)
<b>Target price</b>	<b>36.2</b>	Homepage:	<a href="https://www.secowarwick.com">https://www.secowarwick.com</a>

### Analyst:

Jakub Szkopek  
 +48 22 257 5753  
 jakub.szkopek@erstegroup.com

## Record backlog = strong sales in 2024

We raise our target price from PLN 33.3/share to PLN 36.2/share and reiterate our Buy rating.

In our view, the high flow of new orders in 4Q23 (the highest in 2023) will translate into a record order backlog at the end of 2023 (PLN 576mn) and, as a result, the prospect of another sales record in 2024 (PLN 741mn; +9% y/y).

Despite the strengthening of the PLN and pressure on the payroll side, we assume that Seco Warwick, with higher sales, can maintain y/y EBITDA profitability (8.1%) in 2024 and, as a result, meet the incentive program target of PLN 31.4mn of net income for 2024.

We are revising downward our profitability assumptions, due to slowing sales of the CAB battery soldering line in China. In contrast, we are increasing our sales forecasts for the vacuum metallurgy and most profitable Aftersales segments.

During the year, an undiscounted factor could be the completion of furnace testing at the DRI plant project in partnership with Green Iron. For Seco Warwick, this could potentially be an opportunity to sell as many as 300 units (several thousand units across Europe) over a 5-year horizon at several million euros apiece (several billion PLN in sales over several years). The parties are giving themselves until 2Q24 to test the device, and in 2H24 a decision on serial production may be made.

## 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%	35.52
DCF valuation (PLN)	50%	36.88
<b>12M target price per share (PLN)</b>		<b>36.20</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		
	2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e
AMG CRITICAL MAT	12.0	6.0	6.4	5.6	3.8	3.8	3.6%	4.7%	6.2%
PVA TEPLA AG	16.8	14.6	12.6	9.7	8.5	7.5	-	-	-
ANDRITZ AG	11.0	10.6	10.2	6.1	5.9	5.8	4.3%	4.5%	4.0%
MITSUBISHI HEAVY	12.3	10.7	9.9	8.0	7.0	6.6	2.2%	2.7%	3.0%
AIDA ENGINEERING	11.0	-	-	3.6	3.9	-	3.5%	-	-
DANIELI & CO	8.9	6.9	-	0.4	0.3	-	1.7%	1.3%	-
GEA GROUP AG	14.5	13.5	12.8	7.8	7.4	7.0	2.9%	3.1%	3.5%
JUDGES SCIENTIFI	24.7	22.9	21.4	17.0	16.0	15.5	1.1%	1.2%	1.3%
EINHELL (HANS)-P	9.2	8.3	-	6.8	6.2	-	2.1%	2.2%	-
PALFINGER AG	11.0	8.9	9.6	6.7	6.1	6.2	3.2%	3.7%	3.6%
INTERROLL HLDG-R	28.1	24.3	21.7	16.7	14.6	12.9	1.3%	1.4%	1.6%
MIN	8.9	6.0	6.4	0.4	0.3	3.8	1.1%	1.2%	1.3%
MAX	28.1	24.3	21.7	17.0	16.0	15.5	4.3%	4.7%	6.2%
<b>Median</b>	<b>12.0</b>	<b>10.6</b>	<b>11.4</b>	<b>6.8</b>	<b>6.2</b>	<b>6.8</b>	<b>2.6%</b>	<b>2.7%</b>	<b>3.5%</b>
Seco Warwick	9.9	9.6	9.0	6.1	5.7	5.3	3.4%	5.0%	6.3%
premium (discount)	-18%	-10%	-21%	-11%	-8%	-21%	30%	88%	80%
<b>Implied valuation</b>									
Median	12.0	10.6	11.4	6.8	6.2	6.8			
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)	31.86								
<b>12m target value per share (PLN)</b>	<b>35.52</b>								

### DCF valuation

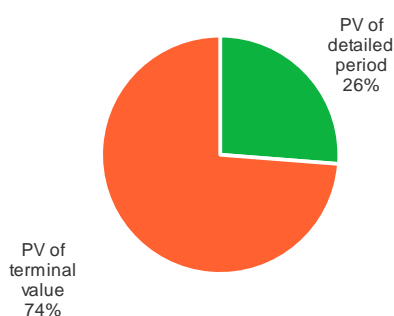
- 5-year forecast period.
- Risk-free rate of 5.5% (10-year government bond yield).
- In valuation, we take estimated net debt at end-2023.
- Beta 1.2. High volatility of past performance (capital goods market exposed to business cycles).

**WACC calculation**

	2024e	2025e	2026e	2027e	2028e	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	6.0%	5.9%	5.9%	5.9%	5.9%	5.9%
Effective tax rate	19.8%	22.0%	22.0%	22.0%	22.0%	22.0%
Equity weigh	86%	86%	88%	88%	89%	90%
WACC	11.3%	11.0%	10.7%	10.7%	10.8%	10.8%

**DCF valuation**

(mn PLN)	2024e	2025e	2026e	2027e	2028e	TV
Sales growth	9.3%	6.1%	4.3%	4.6%	3.8%	2.7%
EBIT	43	45	48	47	49	50
EBIT margin	5.9%	5.8%	5.9%	5.5%	5.5%	5.4%
Tax rate	19.8%	22.0%	22.0%	22.0%	22.0%	22.0%
Taxes on EBIT	9	10	11	10	11	11
<b>NOPAT</b>	<b>35</b>	<b>35</b>	<b>37</b>	<b>37</b>	<b>38</b>	<b>39</b>
Depreciation	17	18	19	19	19	
CAPEX	-40	-25	-19	-20	-20	
Working Capital	-10	-6	-3	-5	-3	
Other	0	0	0	0	0	
FCF to the firm	2	22	34	31	34	36
<b>Discounted cash flow</b>	<b>56</b>	<b>6</b>	<b>2</b>	<b>18</b>	<b>25</b>	<b>21</b>
Terminal value growth	2.0%					
Terminal value	404					
Discounted FCF	241					
<b>Enterprise value</b>	<b>327</b>					
Minorities	3					
Net debt	36					
Other adjustments	43					
<b>Equity value</b>	<b>331</b>					
Number of shares (mn)	10					
Cost of equity	11.5%					
<b>12M target value per share (PLN)</b>	<b>36.88</b>					
Up/Downside	18%					



WACC	Terminal value growth				
	0.0%	1.0%	2.0%	3.0%	5.0%
+1,0 p.p.	30.7	31.7	32.8	34.0	35.4
+0,5 p.p.	32.4	33.5	34.7	36.1	37.7
+0,0 p.p.	34.2	35.5	<b>36.9</b>	38.5	40.3
-0,5 p.p.	36.2	37.6	39.3	41.1	43.2
-1,0 p.p.	38.4	40.1	42.0	44.1	46.5

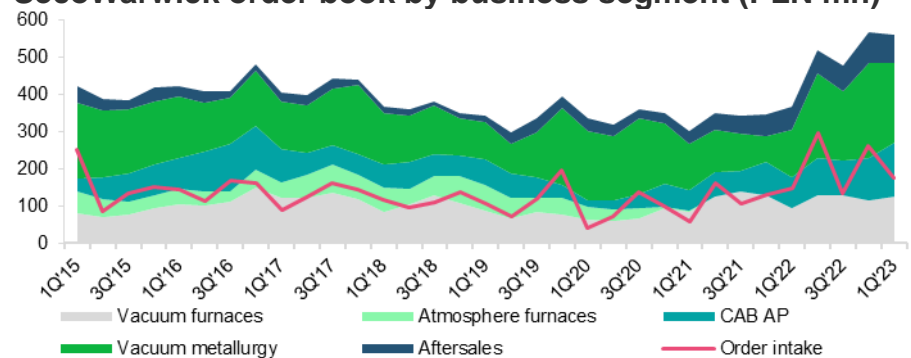
## SecoWarwick forecast update

We are lowering our forecasts slightly for 2023 and 2025-27. The reason is weaker order inflows in the CAB segment in China, which is partially offset by higher sales of vacuum furnaces and Aftersales.

We are increasing the level of capital expenditures in 2024, due to necessary investments to implement the strategy presented in 2023.

	2023e	2024e	2025e	2026e	2027e
Revenues	-3.2%	-0.2%	-7.9%	-5.9%	-6.3%
EBITDA	-8.5%	-1.7%	-15.0%	-10.9%	-17.7%
Net profit	-12.7%	-3.6%	-26.9%	-22.3%	-29.9%
DPS	0.0%	-12.7%	-3.6%	-26.9%	-22.3%
Vacuum furnaces	+17.2%	+40.4%	+0.7%	+8.0%	+5.0%
CAB AP	-19.7%	-33.4%	-18.5%	-18.6%	-12.9%
Vacuum metallurg.	-4.1%	-15.9%	-9.1%	-14.1%	-10.6%
Aftersales	-3.4%	+21.9%	+1.5%	+12.2%	-0.7%
Backlog	-2.9%	-13.2%	-12.9%	-12.1%	-10.8%
New orders	-5.3%	-9.0%	-7.8%	-5.5%	-5.4%

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



**Income statement**

(mn PLN)	2021	2022	2023e	2024e	2025e
<b>Net sales</b>	<b>463</b>	<b>623</b>	<b>678</b>	<b>741</b>	<b>786</b>
Vacuum furnaces	137	191	189	224	175
Atmosphere furnaces	2	0	0	0	0
CAB AP	98	154	140	142	219
Vacuum metallurgy	127	152	196	169	218
Aftersales	98	124	155	205	173
Other	0	2	-1	1	1
<b>Costs</b>	<b>359</b>	<b>485</b>	<b>523</b>	<b>575</b>	<b>613</b>
Gross profit from sales	104	137	154	166	174
Vacuum furnaces	32	44	42	48	38
Atmosphere furnaces	-3	0	0	0	0
CAB AP	18	38	35	31	48
Vacuum metallurgy	30	16	23	19	31
Aftersales	27	40	57	68	57
Other	0	0	-3	0	0
<b>EBIT</b>	<b>24</b>	<b>42</b>	<b>38</b>	<b>43</b>	<b>45</b>
Net financials	-1	-3	-7	-4	-4
Gross profit	19	33	31	39	42
CIT	2	1	5	9	10
Minorities	0	1	1	1	1
Net Income after minorities	17	31	26	31	33
<b>adj. EBITDA</b>	<b>37</b>	<b>57</b>	<b>55</b>	<b>60</b>	<b>63</b>
<b>adj. Net profit</b>	<b>17</b>	<b>31</b>	<b>26</b>	<b>31</b>	<b>33</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>24</b>	<b>39</b>	<b>45</b>
Working capital	-3	12	-19	-10	-6
<b>Cash flow from investing activities</b>	<b>-9</b>	<b>-12</b>	<b>-25</b>	<b>-40</b>	<b>-25</b>
CAPEX	-9	-12	-25	-40	-25
<b>Cash flow from financing activities</b>	<b>0</b>	<b>5</b>	<b>-22</b>	<b>-20</b>	<b>-24</b>
Dividend/buyback	-14	-3	-10	-10	-16
<b>Cash flow</b>	<b>0</b>	<b>0</b>	<b>-23</b>	<b>-21</b>	<b>-5</b>
CFO/EBITDA	26%	47%	43%	64%	70%
FCFF	18	38	49	79	70
<b>FCFF/EV</b>	<b>5%</b>	<b>11%</b>	<b>14%</b>	<b>22%</b>	<b>19%</b>
DPS	0.48	0.25	1.00	1.05	1.57
Dividend payment ratio	35.9%	15.1%	32.7%	40.0%	50.0%
<b>DYield</b>	<b>1.5%</b>	<b>0.8%</b>	<b>3.2%</b>	<b>3.4%</b>	<b>5.0%</b>

Source: SecoWarwick, forecasts by Erste Group Research

**Balance sheet**

<b>(mn PLN)</b>	<b>2021</b>	<b>2022</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>
<b>Fixed assets</b>	<b>167</b>	<b>166</b>	<b>180</b>	<b>203</b>	<b>210</b>
Tangible assets	75	82	95	119	126
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>438</b>	<b>453</b>	<b>474</b>
Inventories	62	89	97	106	113
Receivables	106	106	116	127	134
Cash	41	74	51	30	25
<b>Equity</b>	<b>167</b>	<b>222</b>	<b>243</b>	<b>264</b>	<b>281</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>158</b>	<b>166</b>	<b>172</b>
Debt	34	65	65	65	65
Trade liabilities	66	85	92	101	107
Deferred charges and accruals	80	127	139	152	161
<b>Net Debt</b>	<b>16</b>	<b>18</b>	<b>36</b>	<b>52</b>	<b>52</b>
DN/EBITDA	0.4	0.3	0.7	0.9	0.8
DN/adjusted EBITDA	0.4	0.3	0.7	0.9	0.8

Source: SecoWarwick, forecasts by Erste Group Research

**Ratios**

	<b>2021</b>	<b>2022</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>
P/E	19.0	10.5	11.9	9.9	9.6
<b>P/E adj.</b>	<b>19.0</b>	<b>10.5</b>	<b>11.9</b>	<b>9.9</b>	<b>9.6</b>
EV/EBITDA	9.1	5.9	6.3	6.1	5.7
<b>EV/EA adj.</b>	<b>9.1</b>	<b>5.9</b>	<b>6.3</b>	<b>6.1</b>	<b>5.7</b>
P/S	0.7	0.5	0.5	0.4	0.4
P/BV	1.9	1.4	1.3	1.2	1.1
<b>EBITDA margin</b>	<b>8.0%</b>	<b>9.2%</b>	<b>8.1%</b>	<b>8.1%</b>	<b>8.1%</b>
EBITDA r/r change	15%	55%	-4%	9%	5%
Net income margin	3.7%	4.9%	3.9%	4.2%	4.1%
<b>EPS y/y change</b>	<b>23%</b>	<b>81%</b>	<b>-12%</b>	<b>20%</b>	<b>4%</b>
Share price (PLN)	31.20	31.20	31.20	31.20	31.20
Number of shares (mn)	10.3	10.3	10.0	10.0	10.0
MCap	321	321	312	312	312
EV	338	339	348	364	364

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>677.80</b>	<b>740.96</b>	<b>786.37</b>
Cost of goods sold	304.48	358.94	485.39	523.43	574.60	612.84
<b>Gross profit</b>	<b>85.00</b>	<b>104.26</b>	<b>137.34</b>	<b>154.38</b>	<b>166.36</b>	<b>173.53</b>
SG&A	73.35	76.41	94.77	115.30	122.92	128.07
Other operating revenues	9.90	2.12	4.84	0.00	0.00	0.00
Other operating expenses	-2.52	-5.96	-5.36	-0.80	0.00	0.00
<b>EBITDA</b>	<b>32.03</b>	<b>36.91</b>	<b>57.06</b>	<b>54.96</b>	<b>60.13</b>	<b>63.37</b>
Depreciation/amortization	13.00	12.89	15.01	16.68	16.69	17.91
<b>EBIT</b>	<b>19.04</b>	<b>24.01</b>	<b>42.05</b>	<b>38.27</b>	<b>43.44</b>	<b>45.46</b>
Financial result	-2.03	-0.62	-3.09	-7.33	-4.20	-3.72
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>30.95</b>	<b>39.24</b>	<b>41.74</b>
Income taxes	3.04	2.15	1.28	5.38	8.60	10.00
Result from discontinued operations						
Minorities and cost of hybrid capital	10.34	11.40	13.44	13.62	14.78	15.83
<b>Net result after minorities</b>	<b>13.77</b>	<b>16.91</b>	<b>30.62</b>	<b>26.19</b>	<b>31.43</b>	<b>32.58</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	95.45	118.76	125.86
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>179.65</b>	<b>202.96</b>	<b>210.06</b>
Inventories	286.92	295.35	415.46	437.71	452.65	473.73
Receivables and other current assets	102.70	105.57	106.38	115.79	126.58	134.34
Other assets	80.11	98.01	157.94	186.95	204.15	216.81
Cash and cash equivalents	52.56	41.20	73.90	50.85	29.74	24.90
<b>Total current assets</b>	<b>367.03</b>	<b>393.35</b>	<b>573.41</b>	<b>624.66</b>	<b>656.81</b>	<b>690.53</b>
<b>TOTAL ASSETS</b>	<b>444.06</b>	<b>462.24</b>	<b>581.66</b>	<b>617.37</b>	<b>655.62</b>	<b>683.78</b>
<b>Shareholders'equity</b>	<b>203.52</b>	<b>166.64</b>	<b>221.66</b>	<b>242.99</b>	<b>263.94</b>	<b>280.80</b>
<b>Minorities</b>	<b>0.85</b>	<b>1.20</b>	<b>2.41</b>	<b>3.03</b>	<b>3.81</b>	<b>4.65</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	243.88	266.40	282.86
<b>Total short-term liabilities</b>	<b>79.30</b>	<b>100.07</b>	<b>150.14</b>	<b>157.63</b>	<b>166.23</b>	<b>172.40</b>
<b>TOTAL LIAB. , EQUITY</b>	<b>444.06</b>	<b>462.24</b>	<b>581.66</b>	<b>617.37</b>	<b>655.62</b>	<b>683.78</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	23.81	38.57	44.59
Cash flow from investing activities	-7.03	-8.55	-11.67	-25.00	-40.00	-25.00
Cash flow from financing activities	0.00	0.00	0.00	-23.05	-21.11	-4.84
<b>CHANGE IN CASH , CASH EQU.</b>	<b>52.56</b>	<b>54.22</b>	<b>73.90</b>	<b>50.85</b>	<b>29.74</b>	<b>24.90</b>



## Disclaimer

This investment research (the "Document") has been prepared by Erste Group Bank AG or any of its consolidated subsidiaries (together with consolidated subsidiaries "Erste Group") independently and objectively for the purpose of providing additional economical information about the analyzed company or companies. SecoWarwick has been covered by this investment research under the Warsaw Stock Exchange's Analytical Support Programme (the "Programme"). **The Programme assumes that Erste Securities Polska S.A. will receive remuneration from the Warsaw Stock Exchange for the analytical coverage of SecoWarwick. To the above extent, the Warsaw Stock Exchange, as the principal, is entitled to the copyrights to the report.** The Document is based on reasonable knowledge of Erste Group's analyst in charge of producing the Document as of the date thereof and may be amended from time to time without further notice. It only serves for the purpose of providing non-binding information and does not constitute investment advice or investment recommendations. This Document does not constitute or form part of, and should not be construed as, an offer, recommendation or invitation to subscribe for or purchase any securities, and neither this Document nor anything contained herein shall form the basis of or be relied on in connection with or act as an inducement to enter into any contract or inclusion of a security or financial product in a trading strategy. All information, analysis and conclusions provided herein are of general nature. This Document does not purport to provide a comprehensive overview about any investment, the potential risks and results nor does this Document take into account any individual needs of an investor (the "Investor") in relation to proceeds, tax aspects, risk awareness and appropriateness of the security or financial product. Therefore, this Document does not replace any investor- and investment-related evaluation nor any comprehensive risk disclosure; any security or financial product has a different risk level. Performance charts and example calculations do not provide any indication for future performance of the security or the financial product. Information about past performance does not necessarily guarantee a positive development in the future and investments in securities or financial products can be of risk and speculative nature. The weaker the Company's credit-worthiness is, the higher the risk of an investment will be. Not every investment is suitable for every investor. Therefore, Investors shall consult their advisors (in particular legal and tax advisors) prior to taking any investment decision to ensure that – irrespective of information provided herein – the intended purchase of the security or financial product is appropriate for the Investor's needs and intention, that the Investor has understood all risks and that, after due examination, the Investor has concluded to make the investment and is in a position to bear the economical outcome of such investment. Investors are advised to mind the client information pursuant to the Austrian Securities Supervision Act 2018. Investment research is produced by Erste Group's division for investment research within the framework provided by applicable laws. The opinions featured in the equity and credit research reports may vary. Investors in equities may pursue different interests compared to those of investors on the credit side, related to the same issuer. The analyst has no authority whatsoever to make any representation or warranty on behalf of the analyzed Company, Erste Group, or any other person. While all reasonable care has been taken to ensure that the facts stated herein are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable, Erste Group (including its representatives and employees) neither expressly nor tacitly makes any guarantee as to or assumes any liability for the up-to-dateness, completeness and correctness of the content of this Document. Neither a company of Erste Group nor any of its respective managing directors, supervisory board members, executive board members, directors, officers or other employees shall be in any way liable for any costs, losses or damages (including subsequent damages, indirect damages and loss of profit) howsoever arising from the use of or reliance on this Document. Erste Group, associated companies as well as representatives and employees may, to the extent permitted by law, have a position in the securities of (or options, warrants or rights with respect to, or interest in the financial instruments or other securities of) the Company.

Further, Erste Group, associated companies as well as representatives and employees may offer investment services to the Company or may take over management function in the Company. This Document has been produced in line with Austrian law and for the territory of Austria. Forwarding this Document as well as marketing of financial products described herein are restricted or interdicted in certain jurisdictions. This, in particular, applies to the United States, Canada, Switzerland, Australia, Korea and Japan. In particular, neither this Document nor any copy hereof may be taken or transmitted or distributed, directly or indirectly, into the United States or to US Persons (as defined in the U.S. Securities Act of 1933, as amended) unless applicable laws of the United States or certain federal states of the United States

provide for applicable exemptions. Any failure to comply with these restrictions may constitute a violation of the laws of any such other jurisdiction. Persons receiving possession of this Document are obliged to inform themselves about any such restrictions and to adhere to them. By accepting this Document, the recipient agrees to be bound by the foregoing limitations and to adhere to applicable regulations. Further information may be provided by Erste Group upon request. This Document and information, analysis, comments and conclusions provided herein are copyrighted material.

**Erste Group reserves the right to amend any opinion and information provided herein at any time and without prior notice. Erste Group further reserves the right not to update any information provided herein or to cease updates at all.** All information provided in this Document is non-binding. Misprints and printing errors reserved.

If one of the clauses provided for in this disclaimer is found to be illicit, inapplicable or not enforceable, the clause has to be treated separately from other clauses provided for in this disclaimer to the largest extent possible. In any case, the illicit, inapplicable or not enforceable clause shall not affect the licitness, applicability or enforceability of any other clauses

A history of all recommendations within the last 12 months is provided under the following link:

<https://www.erstegroup.com/en/research/research-legal>

#### **Explanation of valuation parameters and risk assessment**

Unless otherwise stated in the text of the financial investment research, target prices in the publication are based on a discounted cash flow valuation and/or comparison of valuation ratios with companies seen by the analyst as comparable or a combination of the two methods. The result of this fundamental valuation is adjusted to reflect the analyst's views on the likely course of investor sentiment. Whichever valuation method is used there is a significant risk that the target price will not be achieved within the expected timeframe. Risk factors include unforeseen changes in competitive pressures or in the level of demand for the company's products. Such demand variations may result from changes in technology, in the overall level of economic activity or, in some cases, from changes in social values. Valuations may also be affected by changes in taxation, in exchange rates, in the capital market sentiment and in regulatory provisions. Investment in overseas markets and instruments such as ADRs can result in increased risk from factors such as exchange rates, exchange controls, taxation, political, economic and social conditions.

All market prices within this publication are closing prices of the previous trading day (unless otherwise mentioned within the publication).

Detailed information about the valuation and methodology of investment research by the Erste Group Bank AG is provided under the following link:

<https://produkte.erstegroup.com/Retail/de/PDF/Bewertungsmethoden/index.phtml>

#### **Planned frequency of updates for recommendations**

Target prices for individual stocks are meant to be 12 month target prices, starting from the date of the publication. Target prices and recommendations are reviewed usually upon release of quarterly reports, or whenever circumstances require.

Periodical publications are identified by their respective product name and indicate update frequency as such (e.g. Quarterly). Recommendations mentioned within these publications are updated in an according frequency, unless otherwise mentioned (e.g. a 12M TP is not updated on a monthly base, even when mentioned in summarizing monthly/quarterly product).

#### **Links**

Erste Group may provide hyperlinks to websites of entities mentioned in this document, however the inclusion of a link does not imply that Erste Group endorses, recommends or approves any material on the linked page or accessible from it. Erste Group does not accept responsibility whatsoever for any such material, including in particular the completeness and accuracy, nor for any consequences of its use.

#### **Additional notes to readers in the following countries:**

**Austria:** Erste Group Bank AG is registered in the Commercial Register at Commercial Court Vienna under the number FN 33209m. Erste Group Bank AG is authorized and regulated by the European Central Bank (ECB) (Sonnenmannstraße 22, D-60314 Frankfurt am Main, Germany) and by the Austrian Financial Market Authority (FMA) (Otto-Wagner Platz 5, A-1090, Vienna, Austria).

**Germany:** Erste Group Bank AG is authorised for the conduct of investment business in Germany by the Austrian Financial Market Authority (FMA) and subject to limited regulation by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).

**United Kingdom:** Erste Group Bank AG is regulated for the conduct of investment business in the UK by the Financial Conduct Authority and the Prudential Regulation Authority. This document is directed exclusively to eligible counterparties and professional clients. It is not directed to retail clients. No persons other than an eligible counterparty or a professional client should read or rely on any information in this document. Erste Group Bank AG does not deal for or advise or otherwise offer any investment services to retail clients.

**Czech Republic:** Česká spořitelna, a.s. is regulated for the conduct of investment activities in Czech Republic by the Czech National Bank (CNB).

**Croatia:** Erste Bank Croatia is regulated for the conduct of investment activities in Croatia by the Croatian Financial Services Supervisory Agency (HANFA).

**Hungary:** Erste Bank Hungary ZRT. and Erste Investment Hungary Ltd. are regulated for the conduct of investment activities in Hungary by the Hungarian Financial Supervisory Authority (PSZAF).

**Serbia:** Erste Group Bank AG is regulated for the conduct of investment activities in Serbia by the Securities Commission of the Republic of Serbia (SCRS).

**Romania:** Banka Comerciala Romana is regulated for the conduct of investment activities in Romania by the Romanian National Securities Commission (CNVM).

**Poland:** Erste Securities Polska S.A. is regulated for the conduct of investment activities in Poland by the Polish Financial Supervision Authority (PFSA).

**Slovakia:** Slovenská sporiteľňa, a.s. is regulated for the conduct of investment activities in Slovakia by the National Bank of Slovakia (NBS).

**Switzerland:** This research report does not constitute a prospectus or similar communication in connection with an offering or listing of securities as defined in Articles 652a, 752 and 1156 of the Swiss Code of Obligation and the listing rules of the SWX Swiss Exchange.

**Hong Kong:** This document may only be received in Hong Kong by 'professional investors' within the meaning of Schedule 1 of the Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made there under.

**Great Britain:** This document is only made to or directed at investment professionals (as that term is defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial promotion) Order 2005 ("FPO")) or to persons for whom it would otherwise be lawful to distribute it. Accordingly, persons who do not have professional experience in matters relating to investments should not rely on this document.

© Erste Group Bank AG and Erste Securities Polska S.A. 2023. All rights reserved.

**Published by:**

**Erste Securities Polska S.A.**  
Research  
00-103 Warsaw, Poland, Krolewska 16  
Head Office: Warsaw  
Commercial Register (KRS) No: 0000065121  
District Court for the Capital City of Warsaw, XII Commercial Division  
Erste Securities Polska Homepage: [www.esp.pl](http://www.esp.pl)

**Erste Group Bank AG**  
Group Research  
1100 Vienna, Austria, Am Belvedere 1  
Head Office: Wien  
Commercial Register No: FN 33209m  
Commercial Court of Vienna  
Erste Group Homepage: [www.erstegroup.com](http://www.erstegroup.com)