

FLASH NOTE

Seco Warwick - Buy

Target Price: PLN 36.20 | Close as of 23/04/2024: PLN 31.40

Analyst:

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

Q4'23 results review

In Q4'23, consolidated **sales revenues** amounted to PLN 182mn and were in line with our estimates and consensus. Sales of melting furnaces surprised positively in Q4'23, with sales of CAP AP and vacuum furnaces slightly weaker than we expected.

EBITDA in Q4'23 turned out to be 30% above our estimates and 15% above consensus. Management costs turned out to be significantly lower than we had anticipated.

PLN mn	Q4'23	Q4'22	Change	Q4'23e	Diff.	Consensus	Diff.	2023	YTD
Revenues	182	174	4%	176	3%	178	2%	684	101%
EBITDA	15	10	51%	12	30%	13	15%	57	103%
EBITDA margin	9%	6%		7%		8%		8%	
EBIT	12	6	85%	9	31%	10	19%	41	106%
Net income	15	7	113%	6	154%	7	127%	35	135%

Net income is impacted by the pledge of a tax asset in the U.S., as reported by the company in recent weeks.

Sales (PLN mn)	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	change y/y	Q4'23e	Diff.
Vacuum furnaces	48	50	54	39	45	49	48	42	6%	46	-10%
Atmosphere furnaces	0	0	0	0	0	0	0	0	-	0	-
CAB AP	26	38	43	48	33	41	32	32	-33%	33	-5%
Vacuum metallurgy	21	33	42	56	60	50	39	58	4%	46	26%
Aftersales	27	29	38	30	33	39	33	49	64%	50	-3%
Other	0	0	0	1	0	0	-2	2	11%	0	2924%
EBITDA	10	16	21	10	16	13	12	15	51%	13	18%
EBITDA margin	8%	11%	12%	6%	10%	7%	8%	9%		7%	
OCF	12	-21	17	18	2	-9	10	56	203%	20	184%
Backlog	369	520	479	566	560	524	532	776	37%	576	35%
Order intake	148	296	136	262	174	136	157	-	-	220	-

In Q4'23, **cash flow from operations** came as a strong positive surprise. As a result, year-end **net debt** was only PLN 13mn vs. our estimate of PLN 36mn.

We also find a positive surprise at the level of the **order backlog**, which significantly exceeded our expectations and provides a strong basis for improved performance throughout 2024.

At the same time, the Management Board is recommending a **dividend** of PLN 1.00 per share. The record date will be June 18, 2024, while the dividend payment date will be June 28, 2024. The recommendation is in line with our estimates.

OPINION: POSITIVE

Q4'23 results surprise very positively relative to our forecasts and consensus. Strong cash generation and the level of orders collected are encouraging. The dividend recommendation is in line with our estimates.

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

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) (Sonnemannstraße 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

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