

FLASH NOTE

XTPL - Buy

Target Price: PLN 216.00 | Close as of 25/04/2024: PLN 138.00

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Q4'23 results below expectations

Q4'23 results are below our expectations on the EBIT/EBITDA level.

The difference at the EBIT/EBITDA level is mainly due to higher-than-expected G&A costs (+PLN 0.7m).

Quarterly snapshot

Consolidated, IFRS (PLN, mn)	Reported		y/y	Expected Erste	Reported vs. Erste
	4Q23	4Q22			
Revenue	4.6	4.3	8%	4.6	2%
EBIT	-2.4	0.3		-1.7	
EBITDA	-1.8	0.6		-1.1	
Net income	-2.3	0.1		-1.6	
EBITDA margin	-39%	13%			
EBIT margin	-52%	6%			
Net margin	-49%	2%			

Source: Company Data, Erste Group Research

Revenue. Revenues from sales of products and services were in line with published preliminary estimates, amounting to PLN 4.4m in Q4'23 (+8% y/y). The product sales line posted a 267% y/y increase in revenues to PLN 4.7m, while the R&D line posted PLN -0.45m (likely an adjustment to previously invoiced revenues), and subsidy revenues fell 55% y/y to PLN 0.4m. Printer sales and rentals generated PLN 4.5m in revenues in Q4'23 (325% y/y), and HPM (High Performance Materials) sales generated PLN 0.16m in revenues in Q4'23 (-26% y/y).

Costs. COGS increased q/q and y/y due to realized higher product sales. Research and development costs decreased by 12% y/y and increased by 29% q/q. General and administrative expenses increased y/y and q/q in Q4'23 mainly due to intensified investments to commercialize the technology developed and increase business scale.

Financial activities and net income. The balance on financing activities amounted to PLN 0.2m in Q4'23 vs. PLN -0.2m in Q4'22. Income tax amounted to PLN 0m, resulting in a net loss of PLN 2.3m in Q4'23 vs. a net profit of PLN 0.1m in Q4'22.

Cash flow from operations amounted to PLN -1.8m in Q4'23 (vs. PLN 3.7m in Q4'22, negatively affected by a decrease in y/y earnings and an increase in inventories (stocking up for new orders) and a decrease in payables. Capex amounted to PLN -2.7m in Q4'23 (flat q/q and PLN +1.9m y/y).

Opinion. NEUTRAL. Q4'23 results are below our expectations mainly due to higher than expected G&A costs. The increase in G&A costs is related to

the planned acceleration of the commercialization of the developed technology. OCF was at a lower level y/y, mainly influenced by the company's y/y earnings decline. In our view, the company's weak performance should be expected by XTPL's investors, who consider the impact of investments in scaling the business on near-term results (increased cost pressure with relatively low revenues). According to the published preliminary data for Q1'24, the company had about PLN 22m in cash at the end of Q1'24, which guarantees financing of operations for about 5 quarters at the current quarterly cash burn rate (ceteris paribus). Nevertheless, our baseline scenario and information from the company indicate that the measures taken to scale the business have a positive impact on sales, which should improve more strongly in subsequent periods.

At the same time, we note that the company's equity story is based on the commercialization of the technology developed by XTPL, so current results should have lower relevance in terms of valuation. The company is currently in the phase of investing in increasing the scale of the business, and the breakthrough step should be the first industrial deployment, which MB expects to take place in 2024. We note that the company recently announced the planned sale of an industrial module to a contractor in China, who, after evaluating the technology, decided to develop a prototype of the device (skipping many of the steps involved in industrial implementation). This is a new contract that could potentially lead to another industrial deployment in the medium term. In our view, the company should improve earnings momentum in 2025, which should support the share price performance. In the short term, we do not see significant triggers for XTPL's share price, and potentially an improvement in investor sentiment towards the company could be triggered by information confirming the successful commercialization of solutions offered by XTPL (sales of more DPS devices or industrial modules).

We are not changing our target price or recommendation for the company in this flash note.

Q4'23 results review

P & L (PLN mn)	4Q22	1Q23	2Q23	3Q23	4Q23	Y/Y	Q/Q
Revenue	4.3	3.6	3.3	3.9	4.6	8%	18%
Sales of products and services	3.4	3.0	2.6	3.6	4.2	25%	17%
Grants	0.9	0.6	0.8	0.3	0.4	-55%	34%
Costs of sales	1.9	1.8	2.0	2.0	2.6	35%	27%
R&D costs	1.6	1.3	1.3	1.1	1.4	-12%	29%
Costs of products sold	0.3	0.4	0.8	1.0	1.2	254%	25%
Gross profit	2.4	1.8	1.3	1.9	2.1	-14%	9%
G&A	2.1	2.0	2.6	2.8	4.5	111%	58%
Other operating activities	0.0	0.0	0.0	0.0	0.0		
EBITDA	0.6	0.1	-0.9	-0.4	-1.8		
EBIT	0.3	-0.2	-1.3	-0.9	-2.4		
Balance on financial activities	-0.2	-0.1	-0.1	0.1	0.2		
Profit before tax	0.1	-0.3	-1.4	-0.8	-2.2		
Income tax	0.0	0.0	0.0	0.0	0.0		
Net profit	0.1	-0.3	-1.4	-0.8	-2.3		

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