

# Kogeneracja S.A.



Price target: PLN 137

Update

Rating: n.a.

Although much better y-o-y, Kogeneracja's 9M/23 results were below our expectations. Despite the fact that Q4 is usually KGN's second-best quarter and this year the winter is cold and snowy, our previous revenue estimate for full-year 2023E now seems no longer achievable. In addition, we have underestimated the impact of the windfall tax, which expires in Dec 2023. On 2/11, Polimex-Mostostal informed the public that a Polish court secured its claim against Kogeneracja, an increase of remuneration for the construction of KGN's new gas-powered plant in Siechnica from previously PLN 1.17bn to PLN 1.5bn net. After KGN's recent analyst' presentation, we believe that the start of the new plant in mid-2024E will not be delayed and we maintain our previous CAPEX estimates. With adjusted forecasts, we now arrive at a new 12-months DCF-based PT of PLN 137 (before: PLN 150.30/share). In addition to a significant upside, we expect that in-line with management's statements KGN will resume the payout of dividends soon. The main risks to our FV are: 1. Legal issue with Polimex 2. The unpredictability of the owner (indirectly the Polish state) 3. Faster transformation of the energy sector by the new Polish government.

Based on trail. net income after 9M/23 and book value as of 30/09/2023, Kogeneracja is currently trading at a P/E of 2.8x and P/BVPS of 0.29x. After Q3, which is always the weakest quarter of the year, KGN reported 9M sales of PLN 2.16bn (+83.4% y-o-y), an EBITDA margin of 19.3% (9M/22: 19.6%) and net income of PLN 220.9m (+188.6%). Operating (PLN 397.1m vs. PLN 191.3m) exceeded last year. Net cash (incl. the cash pool) equalled PLN 467.8m.

Due to changed assumptions for KGN's heat & power plants and higher windfall tax we have lowered our estimates for 2023E and beyond. Also, we now expect a dividend payout ratio of 20% from 2024E. A new dividend policy is supposed to be announced next year. For 2023E, we now forecast PLN 2.9bn (prev. PLN 3.4bn) for sales, PLN 569.3m (PLN 727.5m) for EBITDA (= EV/EBITDA of 0.3x) and PLN 307.2m (PLN 435.4m) for net income.

in PLNm	2020	2021	2022	2023E	2024E	2025E
Net sales	1,183.44	1,434.51	1,812.20	2,888.70	2,998.19	3,705.63
EBITDA	318.83	252.74	363.76	569.31	888.12	963.02
EBIT	157.09	66.80	160.77	355.31	620.62	678.13
Net income	125.95	56.79	151.98	307.24	510.81	550.90
EPS	8.32	3.78	10.04	20.62	34.28	36.97
DPS	0.00	0.32	0.00	0.00	6.86	7.39
Dividend yield	0.00%	0.77%	0.00%	0.00%	16.48%	17.78%
RoE	7.78%	3.32%	8.39%	15.09%	20.89%	18.83%
Net gearing	-35.38%	-31.60%	-22.17%	-9.44%	-26.96%	-25.15%
EV/Sales	0.13x	0.11x	0.08x	0.05x	0.05x	0.04x
EV/EBITDA	0.48x	0.60x	0.42x	0.27x	0.17x	0.16x
P/E	5.00x	11.01x	4.14x	2.02x	1.21x	1.13x

## Company profile

Kogeneracja, which through its majority shareholder PGE S.A. is indirectly state-owned, produces and distributes electricity and heat in Wrocław, Siechnica and Zielona Gora.

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Website	www.kogeneracja.com.pl
Sector	Energy
Country	Poland
ISIN	PLKGNRC00015
Reuters	KGN.WA
Bloomberg	KGN PW

## Share information

Last price	41.60
No of shares (m)	14.90
Market cap. (PLNm)	619.84
Market cap. (EURm)	143.15
52-week range	PLN 47.70 / PLN 23.10
Avg. volume (3-months)	22,403

## Performance

4-weeks	4.00%
13-weeks	20.93%
26-weeks	23.08%
52-weeks	63.78%
YTD	73.33%

## Shareholder structure

PGE Energia Ciepła S.A.	58.07%
Allianz Pension Fund	9.99%
PZU Pension Fund	8.03%
NN Pension Fund	5.01%
Free Float	18.90%

## Financial calendar

Annual Report 2023 (exp.)	March 21, 2024
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## Analyst

Adrian Kowollik  
a.kowollik@eastvalueresearch.com

## 9M/23 results

### Revenues and Profitability

In 9M/23, Kogeneracja generated revenues of PLN 2.2bn, which corresponds to a y-o-y growth of 83.4%. Thereof, Kogeneracja S.A. (thermal power plants in Wrocław, Siechnice and Zawidawie) accounted for PLN 1.1bn (+47.9% y-o-y) and EC Zielona Gora S.A. for PLN 1.05bn (+146.2%).

	Heat (TJ)		Electricity (GWh)	
	9M/23	change y-o-y	9M/23	change y-o-y
Kogeneracja S.A.	6,205	-5.5%	736	-4.2%
EC Zielona Gora	800	-1.5%	1,122	58.3%

Source: Company information, East Value Research GmbH

On Group level, sales of electricity improved by 95.5% y-o-y to PLN 1.45bn especially due to higher prices and volumes at 100%-subsidiary EC Zielona Gora S.A., where from May 2022 the gas turbine was not working for 120 days due to modernization. In this segment, we have also included PLN 48.1m (+23.9% y-o-y) from the Capacity Market, which relates to a Polish law from 2017 that allows energy suppliers to offer the energy network operator PSE S.A. the obligation to supply power for a certain period, and "Sales from re-selling of electricity" (+112.3% y-o-y to PLN 95.5m), which result from re-selling of electricity that the Group purchases on the market if market prices are significantly below its contracted sale prices.

Sales from production and distribution of heat advanced by 67.2% y-o-y to PLN 685.4m due to higher prices. Volumes slightly declined y-o-y both at Kogeneracja S.A. and EC Zielona Gora S.A. Based on a law from September 2022 that established a maximum price for heat due to the energy crisis following Russia's invasion of Ukraine, Kogeneracja received a compensation of PLN 29.1m (maximum price set by law minus the market price).

In 9M/23, the fastest-growing segment was "Sales from support of co-generation" (+231% y-o-y to PLN 5.4m), which reflects sales related to state support for highly-effective gas co-generation based on a law from 2018. The reason for the y-o-y growth was a higher support fee and higher production from gas-fired CHP (Combined Heat and Power).

in PLNm	9M/23	9M/22
<b>Sales from production &amp; distribution of electricity*</b>	<b>1,453.78</b>	<b>743.75</b>
<i>Share in total sales</i>	<i>67.3%</i>	<i>63.1%</i>
<b>Sales from production &amp; distribution of heat</b>	<b>685.36</b>	<b>410.00</b>
<i>Share in total sales</i>	<i>31.7%</i>	<i>34.8%</i>
<b>Sales from support of gas co-generation</b>	<b>5.40</b>	<b>1.63</b>
<i>Share in total sales</i>	<i>0.2%</i>	<i>0.1%</i>
<b>Other sales (e.g. leasing of real estate, CO2 certificates)</b>	<b>16.39</b>	<b>23.16</b>
<i>Share in total sales</i>	<i>0.8%</i>	<i>2.0%</i>
<b>Total sales</b>	<b>2,160.93</b>	<b>1,178.53</b>

\* incl. sales related to the Capacity Market and re-selling of energy  
Source: Company information, East Value Research GmbH

in PLNm	9M/23	9M/22	change y-o-y
<b>Net sales</b>	<b>2160.93</b>	<b>1178.53</b>	83.4%
<b>EBITDA</b>	<b>416.35</b>	<b>230.89</b>	80.3%
<i>EBITDA margin</i>	<i>19.3%</i>	<i>19.6%</i>	
<b>EBIT</b>	<b>258.01</b>	<b>79.13</b>	226.0%
<i>EBIT margin</i>	<i>11.9%</i>	<i>6.7%</i>	
<b>Net income</b>	<b>220.93</b>	<b>76.55</b>	188.6%
<i>Net margin</i>	<i>10.2%</i>	<i>6.5%</i>	

Source: Company information, East Value Research GmbH

Between January and September 2023, Kogeneracja's EBITDA went up by 80.3% to PLN 416.4m. The share of CoGS (excl. D&A expenses) declined significantly, but the share of distribution expenses in total sales increased from 2.3% in 9M/22 to 19%. Depreciation & amortisation expenses remained stable y-o-y (PLN 158.3m vs. PLN 151.8m in 9M/22).

It has to be noted that the CoGS do not just include direct costs of sales & personnel, costs of fuel and expenses related to provisions for CO2 certificates but also revenue/costs related to KDT compensations that stem from coverage of costs of EC Zielona Góra S.A. related to early termination of long-term contracts for sales of power and electricity. These compensations are paid out by the Polish government as quarterly advance payments with adjustments at the end of each year and the KDT agreement.

In addition, the difference between distribution costs in 9M/23 and 9M/22 mainly stems from a windfall tax worth PLN 365.9m that holds for the period 1/12/2022-1/12/2023. It is calculated based on the following formula: volume of sold electricity x (volume-weighted average sale price of electricity – volume-weighted average price cap that is determined by the energy regulator URE).

In Q3/23, KGN's average price of consumer coal incl. transport costs was 33% above last year, while in case of gas and biomass the price increase equalled 119.1% and 61.7% respectively.

## Balance sheet and Cash flow

At the end of September 2023, Kogeneracja had equity of PLN 2.1bn (= equity share of 57%). Until last year, there were also minorities as back then Kogeneracja only owned 98.4% in EC Zielona Gora S.A.

Fixed assets were worth PLN 2.5bn and reflected the company's production plants for heat and electricity (Wroclaw, Siechnica, Wroclaw-Zawidawie, Zielona Gora). This included assets of PLN 2.3bn, rights-to-use-assets of PLN 121.3m and investment property of PLN 12.8m. Receivables resulting from cash pooling agreements – relate to complex liquidity management of all companies from the PGE Group incl. Kogeneracja – equalled PLN 562.7m. Interest-bearing debt equalled PLN 123.9m (thereof: 6.5% short-term). Net cash incl. cash and receivables from cash pooling agreements amounted to PLN 467.7m (net gearing: -22.2%).

In Jan-Sep 2023, Kogeneracja generated an operating cash flow of PLN 397.1m (9M/22: PLN 191.3m). The main reason was a much higher EBT y-o-y. Cash flow from investing equalled PLN -412.3m (9M/22: PLN -199.7m) and was the result of both investments (PLN -357.2m vs. PLN 193.5m in 9M/22) and a higher contribution to the cash pool (PLN 76.1m vs. PLN 27.2m). Between January and September 2023, Kogeneracja conducted the following investments among others: 1. Acquisition of the remaining 8,849 shares (PLN 9.8m) in EC Zielona Gora S.A. as part of a compulsory buyout 2. Acquisition of fixed assets for PLN 460.9m for the project EC Czechnica 2 in Siechnice, modernisation and repair of boilers, generators, turbines, blocs, heat systems & networks as well as modernisation and repair of basic and supporting production assets 3. PLN 14.3m on the modernization of the gas-steam bloc, the local heat network and equipment.

Cash flow from financing amounted to PLN 39m (9M/22: PLN -9.7m). In total, since January 2023 Kogeneracja's cash position (excl. the cash pool) increased by PLN 23.8m to PLN 29m.

In the 9M/23 report, Kogeneracja mentions that its future liability related to the construction of the EC Czechnica 2 plant equals PLN 417.3m. Even if Polimex-Mostostal – is owned by the state-owned energy companies PGE (also the owner of KGN), Energa, Enea and PGNiG - wins the legal battle and KGN will have to pay more, we are confident that given its significant net cash position (incl. the cash pool) the company has sufficient financial means to cover these costs.

## Our forecasts

### Revenues and Profitability

Based on the information in the 9M/23 report and current market prices for coal, gas and CO<sub>2</sub>, we have updated our assumptions until 2031E. We have excluded Zawidawie from our calculation as we believe that it only accounts for c. 2% of KGN's total sales.

From 2024E, we now assume that Kogeneracja will pay out 20% of its net income to shareholders (its previous dividend policy for 2018-2022 assumed a payout ratio of 10-40% of the net profit adj. for write-downs of Kogeneracja S.A., not the KGN Group). We expect that management will publish a new dividend policy in H1/24E.

1. *The price of heat*: In our model, it now increases at a CAGR of 4% (previously: 3.7%).
2. *The price of electricity*: It now reflects the current future prices on the energy exchange TGE.
3. *Revenues from the Capacity Market*: We have assumed a yearly increase at 3%, which in our view will be the average inflation rate. We now believe that the new Czechica plant will only receive revenues from the capacity market from 2027E.
4. *Co-generation premium*: We have now assumed that Czechnica will only receive it from 2024E and that afterwards it will increase at the average inflation rate of 3%.
5. *Gas price*: In-line with current market prices, we now believe that Czechnica will have to pay a lower average gas price. For the coming years, we have assumed a CAGR of 4%.
6. *CO<sub>2</sub> price*: We have lowered the average price in 2023E and now assume that it will increase at a CAGR of 8.7% (previously: 5.8%) in the coming years.
7. Our model is now based on the following (electricity) efficiency: EC Zielona Gora – 50%, EC Siechnica – 60%, EC Wroclaw – 81.9%.
8. *Production of heat & electricity*: In EC Zielona Gora, it is now the same in 2024E and afterwards.
9. *Windfall tax (are included in distribution expenses)*: We have increased our full-year 2023E estimate by c. PLN 90m.
10. *End of the KDT agreement*: We now assume that it will end in 2025E, which will result in a reduction of short-term liabilities by PLN 347m.

All other assumptions remain unchanged.

EC Zielona Gora	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Number of hours	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Heat (TJ)	1,382	1,382	1,382	1,382	1,382	1,382	1,382	1,382	1,382
Electricity (GWh)	1,440	1,440	1,440	1,440	1,440	1,440	1,440	1,440	1,440
Volume Heat + Electricity (TJ)	6,566	6,566	6,566	6,566	6,566	6,566	6,566	6,566	6,566
Price of an ordered MWt	181	184	188	192	196	200	204	208	212
Price of heat (GJ)	95	99	103	107	111	116	120	125	130
<b>Revenues from heat (PLNk)</b>	<b>151,216</b>	<b>156,867</b>	<b>162,736</b>	<b>168,831</b>	<b>175,163</b>	<b>181,739</b>	<b>188,569</b>	<b>195,664</b>	<b>203,033</b>
Price of electricity (MWh)	430	490.7	538.5	560	557	560	560	560	560
<b>Revenues from electricity (PLNk)</b>	<b>619,200</b>	<b>706,608</b>	<b>775,440</b>	<b>806,400</b>	<b>802,080</b>	<b>806,400</b>	<b>806,400</b>	<b>806,400</b>	<b>806,400</b>
<b>Total revenues (PLNk)</b>	<b>802,416</b>	<b>896,435</b>	<b>972,125</b>	<b>1,010,199</b>	<b>1,013,259</b>	<b>1,025,235</b>	<b>1,033,179</b>	<b>1,041,420</b>	<b>1,049,970</b>
Revenues from electricity (PLNk)	619,200	706,608	775,440	806,400	802,080	806,400	806,400	806,400	806,400
Revenues from heat (PLNk)	151,216	156,867	162,736	168,831	175,163	181,739	188,569	195,664	203,033
Capacity Market (PLNk)	32,000	32,960	33,940	34,967	36,016	37,097	38,210	39,356	40,537
Co-generation premium (PLNk)	0	0	0	0	0	0	0	0	0
<b>CoGS (PLNk)</b>	<b>554,400</b>	<b>583,488</b>	<b>646,963</b>	<b>669,128</b>	<b>698,535</b>	<b>729,250</b>	<b>761,332</b>	<b>794,844</b>	<b>829,849</b>
Costs of fuel (gas / coal / biomass)	125	130	135	141	146	152	158	164	171
Costs of a ton of CO2	75	83	104	109	115	120	126	133	139
Fuel	360,000	374,400	389,376	404,951	421,149	437,995	455,515	473,735	492,685
CO2	194,400	209,088	257,587	264,177	277,385	291,255	305,817	321,108	337,164
Others	0	0	0	0	0	0	0	0	0
<b>Gross profit (PLNk)</b>	<b>248,016</b>	<b>312,947</b>	<b>325,161</b>	<b>341,071</b>	<b>314,724</b>	<b>295,986</b>	<b>271,846</b>	<b>246,576</b>	<b>220,121</b>
<i>Gross margin</i>	<i>30.9%</i>	<i>34.9%</i>	<i>33.4%</i>	<i>33.8%</i>	<i>31.1%</i>	<i>28.9%</i>	<i>26.3%</i>	<i>23.7%</i>	<i>21.0%</i>

Source: TGE, Tariffs of the thermal power plants, UKE, ICE.com, East Value Research GmbH

EC Czechnica	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Number of hours	8,000	4,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Heat (TJ)	2,304	1,152	2,304	2,304	2,304	2,304	2,304	2,304	2,304
Electricity (GWh)	880	720	1,440	1,440	1,440	1,440	1,440	1,440	1,440
Volume Heat + Electricity (TJ)	5,472	3,744	7,488	7,488	7,488	7,488	7,488	7,488	7,488
Price of an ordered MWt	200	204	208	212	216	221	225	230	234
Price of heat (GJ)	95	99	103	107	111	116	120	125	130
<b>Revenues from heat (PLNk)</b>	<b>278,880</b>	<b>175,018</b>	<b>299,165</b>	<b>309,883</b>	<b>321,005</b>	<b>332,546</b>	<b>344,523</b>	<b>356,952</b>	<b>369,852</b>
Price of electricity (MWh)	430	490.7	538.5	560	557	560	560	560	560
<b>Revenues from electricity (PLNk)</b>	<b>378,400</b>	<b>353,304</b>	<b>775,440</b>	<b>806,400</b>	<b>802,080</b>	<b>806,400</b>	<b>806,400</b>	<b>806,400</b>	<b>806,400</b>
<b>Total revenues (PLNk)</b>	<b>657,280</b>	<b>578,722</b>	<b>1,126,517</b>	<b>1,169,752</b>	<b>1,187,085</b>	<b>1,204,866</b>	<b>1,218,820</b>	<b>1,233,287</b>	<b>1,248,285</b>
Revenues from electricity (PLNk)	378,400	353,304	775,440	806,400	802,080	806,400	806,400	806,400	806,400
Revenues from heat (PLNk)	278,880	175,018	299,165	309,883	321,005	332,546	344,523	356,952	369,852
Capacity Market (PLNk)	0	0	0	0	64,000	65,920	67,898	69,935	72,033
Co-generation premium (PLNk)	0	50,400	51,912	53,469	55,073	56,726	58,427	60,180	61,986
<b>CoGS (PLNk)</b>	<b>341,000</b>	<b>293,040</b>	<b>642,970</b>	<b>665,593</b>	<b>694,419</b>	<b>724,507</b>	<b>755,914</b>	<b>788,699</b>	<b>822,923</b>
Costs of fuel (gas / coal / biomass)	165	172	178	186	193	201	209	217	226
Costs of a ton of CO2	75	83	104	109	115	120	126	133	139
Fuel	242,000	205,920	428,314	445,446	463,264	481,795	501,066	521,109	541,953
CO2	99,000	87,120	214,656	220,147	231,155	242,712	254,848	267,590	280,970
Others	0	0	0	0	0	0	0	0	0
<b>Gross profit (PLNk)</b>	<b>316,280</b>	<b>285,682</b>	<b>483,547</b>	<b>504,159</b>	<b>492,666</b>	<b>480,359</b>	<b>462,906</b>	<b>444,588</b>	<b>425,361</b>
<i>Gross margin</i>	<i>48.1%</i>	<i>49.4%</i>	<i>42.9%</i>	<i>43.1%</i>	<i>41.5%</i>	<i>39.9%</i>	<i>38.0%</i>	<i>36.0%</i>	<i>34.1%</i>

Source: TGE, Tariffs of the thermal power plants, UKE, ICE.com, East Value Research GmbH

EC Wrocław	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Number of hours	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Heat (TJ)	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
Electricity (GWh)	900	900	900	900	900	900	900	900	900
Volume Heat + Electricity (TJ)	12,240	12,240	12,240	12,240	12,240	12,240	12,240	12,240	12,240
Price of an ordered MWh	150	153	156	159	162	166	169	172	176
Price of heat (GJ)	95	99	103	107	111	116	120	125	130
<b>Revenues from heat (PLNk)</b>	<b>960,000</b>	<b>996,300</b>	<b>1,034,010</b>	<b>1,073,186</b>	<b>1,113,884</b>	<b>1,156,167</b>	<b>1,200,095</b>	<b>1,245,734</b>	<b>1,293,151</b>
Price of electricity (MWh)	430	490.7	538.5	560	557	560	560	560	560
<b>Revenues from electricity (PLNk)</b>	<b>387,000</b>	<b>441,630</b>	<b>484,650</b>	<b>504,000</b>	<b>501,300</b>	<b>504,000</b>	<b>504,000</b>	<b>504,000</b>	<b>504,000</b>
<b>Total revenues (PLNk)</b>	<b>1,397,000</b>	<b>1,489,430</b>	<b>1,571,705</b>	<b>1,631,822</b>	<b>1,671,460</b>	<b>1,718,130</b>	<b>1,763,797</b>	<b>1,811,227</b>	<b>1,860,489</b>
Revenues from electricity (PLNk)	387,000	441,630	484,650	504,000	501,300	504,000	504,000	504,000	504,000
Revenues from heat (PLNk)	960,000	996,300	1,034,010	1,073,186	1,113,884	1,156,167	1,200,095	1,245,734	1,293,151
Capacity Market (PLNk)	50,000	51,500	53,045	54,636	56,275	57,964	59,703	61,494	63,339
Co-generation premium (PLNk)	0	0	0	0	0	0	0	0	0
<b>CoGS (PLNk)</b>	<b>847,758</b>	<b>913,472</b>	<b>1,064,040</b>	<b>1,114,975</b>	<b>1,184,844</b>	<b>1,259,335</b>	<b>1,338,772</b>	<b>1,423,497</b>	<b>1,513,882</b>
Costs of fuel (gas / coal / biomass)	25	27	29	31	34	37	40	43	46
Costs of a ton of CO2	75	83	104	109	115	120	126	133	139
Fuel	373,626	403,516	435,798	470,662	508,315	548,980	592,898	640,330	691,556
CO2	474,132	509,955	628,242	644,314	676,529	710,356	745,874	783,167	822,326
Others	0	0	0	0	0	0	0	0	0
<b>Gross profit (PLNk)</b>	<b>549,242</b>	<b>575,958</b>	<b>507,665</b>	<b>516,847</b>	<b>486,616</b>	<b>458,795</b>	<b>425,026</b>	<b>387,730</b>	<b>346,607</b>
<i>Gross margin</i>	<i>39.3%</i>	<i>38.7%</i>	<i>32.3%</i>	<i>31.7%</i>	<i>29.1%</i>	<i>26.7%</i>	<i>24.1%</i>	<i>21.4%</i>	<i>18.6%</i>

Source: TGE, Tariffs of the thermal power plants, UKE, ICE.com, East Value Research GmbH

in PLNm	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
<b>Sales from production &amp; distribution of electricity*</b>	<b>1,466.60</b>	<b>1,586.00</b>	<b>2,122.52</b>	<b>2,206.40</b>	<b>2,261.75</b>	<b>2,277.78</b>	<b>2,282.61</b>	<b>2,287.58</b>	<b>2,292.71</b>
<i>Share in total sales</i>	<i>50.8%</i>	<i>52.9%</i>	<i>57.3%</i>	<i>57.3%</i>	<i>57.0%</i>	<i>56.3%</i>	<i>55.4%</i>	<i>54.6%</i>	<i>53.7%</i>
EC Zielona Gora	651,200	739,568	809,389	841,367	838,096	843,497	844,610	845,756	846,937
EC Czechnica	378,400	353,304	775,440	806,400	866,080	872,320	874,298	876,335	878,433
EC Wrocław	437,000	493,130	537,695	558,636	557,575	561,964	563,703	565,494	567,339
<b>Sales from production &amp; distribution of heat</b>	<b>1,390.10</b>	<b>1,328.18</b>	<b>1,495.91</b>	<b>1,551.90</b>	<b>1,610.05</b>	<b>1,670.45</b>	<b>1,733.19</b>	<b>1,798.35</b>	<b>1,866.04</b>
<i>Share in total sales</i>	<i>48.1%</i>	<i>44.3%</i>	<i>40.4%</i>	<i>40.3%</i>	<i>40.6%</i>	<i>41.3%</i>	<i>42.1%</i>	<i>42.9%</i>	<i>43.7%</i>
EC Zielona Gora	151,216	156,867	162,736	168,831	175,163	181,739	188,569	195,664	203,033
EC Czechnica	278,880	175,018	299,165	309,883	321,005	332,546	344,523	356,952	369,852
EC Wrocław	960,000	996,300	1,034,010	1,073,186	1,113,884	1,156,167	1,200,095	1,245,734	1,293,151
<b>Sales from support of gas co-generation</b>	<b>0.00</b>	<b>50.40</b>	<b>51.91</b>	<b>53.47</b>	<b>55.07</b>	<b>56.73</b>	<b>58.43</b>	<b>60.18</b>	<b>61.99</b>
<i>Share in total sales</i>	<i>0.0%</i>	<i>1.7%</i>	<i>1.4%</i>	<i>1.4%</i>	<i>1.4%</i>	<i>1.4%</i>	<i>1.4%</i>	<i>1.4%</i>	<i>1.5%</i>
<b>Other sales (e.g. leasing of real estate, CO2 certificates)</b>	<b>32.00</b>	<b>33.60</b>	<b>35.28</b>	<b>37.04</b>	<b>38.90</b>	<b>40.84</b>	<b>42.88</b>	<b>45.03</b>	<b>47.28</b>
<i>Share in total sales</i>	<i>1.1%</i>	<i>1.1%</i>	<i>1.0%</i>	<i>1.0%</i>	<i>1.0%</i>	<i>1.0%</i>	<i>1.0%</i>	<i>1.1%</i>	<i>1.1%</i>
<b>Total sales</b>	<b>2,888.70</b>	<b>2,998.19</b>	<b>3,705.63</b>	<b>3,848.82</b>	<b>3,965.77</b>	<b>4,045.80</b>	<b>4,117.11</b>	<b>4,191.14</b>	<b>4,268.01</b>
<i>change y-o-y</i>	<i>59.4%</i>	<i>3.8%</i>	<i>23.6%</i>	<i>3.9%</i>	<i>3.0%</i>	<i>2.0%</i>	<i>1.8%</i>	<i>1.8%</i>	<i>1.8%</i>

\* incl. sales related to the Power Market and re-selling of energy

Source: East Value Research GmbH

in PLNm	2023E		2024E		2025E	
	new	old	new	old	new	old
<b>Net sales</b>	<b>2888.70</b>	<b>3423.53</b>	<b>2998.19</b>	<b>3353.91</b>	<b>3705.63</b>	<b>4093.53</b>
<b>EBITDA</b>	<b>569.31</b>	<b>727.53</b>	<b>888.12</b>	<b>1169.70</b>	<b>963.02</b>	<b>1292.14</b>
<i>EBITDA margin</i>	<i>19.7%</i>	<i>21.3%</i>	<i>29.6%</i>	<i>34.9%</i>	<i>26.0%</i>	<i>31.6%</i>
<b>EBIT</b>	<b>355.31</b>	<b>513.53</b>	<b>620.62</b>	<b>902.20</b>	<b>678.13</b>	<b>1019.29</b>
<i>EBIT margin</i>	<i>12.3%</i>	<i>15.0%</i>	<i>20.7%</i>	<i>26.9%</i>	<i>18.3%</i>	<i>24.9%</i>
<b>Net income</b>	<b>307.24</b>	<b>435.40</b>	<b>510.81</b>	<b>738.88</b>	<b>550.90</b>	<b>827.24</b>
<i>Net margin</i>	<i>10.6%</i>	<i>12.7%</i>	<i>17.0%</i>	<i>22.0%</i>	<i>14.9%</i>	<i>20.2%</i>

Source: East Value Research GmbH

in PLNm	Q1/20	Q2/20	Q3/20	Q4/20	2020
<b>Net sales</b>	<b>308.43</b>	<b>245.12</b>	<b>200.13</b>	<b>429.77</b>	<b>1183.44</b>
<i>change y-o-y</i>	-17.1%	15.1%	18.7%	26.9%	8.3%
<b>EBITDA</b>	<b>202.83</b>	<b>43.25</b>	<b>12.68</b>	<b>60.07</b>	<b>318.83</b>
<i>EBITDA margin</i>	65.8%	17.6%	6.3%	14.0%	26.9%
<b>EBIT</b>	<b>164.24</b>	<b>1.69</b>	<b>-28.14</b>	<b>19.30</b>	<b>157.09</b>
<i>EBIT margin</i>	53.3%	0.7%	-14.1%	4.5%	13.3%
<b>Net income</b>	<b>132.32</b>	<b>1.68</b>	<b>-23.78</b>	<b>15.74</b>	<b>125.95</b>
<i>Net margin</i>	42.9%	0.7%	-11.9%	3.7%	10.6%

in PLNm	Q1/21	Q2/21	Q3/21	Q4/21	2021	Q1/22	Q2/22	Q3/22	Q4/22	2022	Q1/23	Q2/23	Q3/23	Q4/23E	2023E
<b>Net sales</b>	<b>470.28</b>	<b>275.31</b>	<b>220.60</b>	<b>468.32</b>	<b>1434.51</b>	<b>589.20</b>	<b>320.44</b>	<b>271.13</b>	<b>631.43</b>	<b>1812.20</b>	<b>1112.49</b>	<b>609.12</b>	<b>443.69</b>	<b>723.40</b>	<b>2888.70</b>
<i>change y-o-y</i>	52.5%	12.3%	10.2%	9.0%	21.2%	25.3%	16.4%	22.9%	34.8%	26.3%	88.8%	90.1%	63.6%	14.6%	59.4%
<b>EBITDA</b>	<b>131.06</b>	<b>58.31</b>	<b>26.68</b>	<b>36.69</b>	<b>252.74</b>	<b>140.21</b>	<b>48.22</b>	<b>42.46</b>	<b>132.87</b>	<b>363.76</b>	<b>313.55</b>	<b>65.63</b>	<b>37.18</b>	<b>152.96</b>	<b>569.31</b>
<i>EBITDA margin</i>	27.9%	21.2%	12.1%	7.8%	17.6%	23.8%	15.0%	15.7%	21.0%	20.1%	28.2%	10.8%	8.4%	21.1%	19.7%
<b>EBIT</b>	<b>87.71</b>	<b>16.73</b>	<b>-15.51</b>	<b>-22.13</b>	<b>66.80</b>	<b>92.02</b>	<b>-4.46</b>	<b>-8.43</b>	<b>81.64</b>	<b>160.77</b>	<b>259.53</b>	<b>12.52</b>	<b>-14.04</b>	<b>97.30</b>	<b>355.31</b>
<i>EBIT margin</i>	18.7%	6.1%	-7.0%	-4.7%	4.7%	15.6%	-1.4%	-3.1%	12.9%	8.9%	23.3%	2.1%	-3.2%	13.4%	12.3%
<b>Net income</b>	<b>69.64</b>	<b>12.64</b>	<b>-13.78</b>	<b>-11.71</b>	<b>56.79</b>	<b>74.99</b>	<b>1.79</b>	<b>-0.24</b>	<b>75.44</b>	<b>151.98</b>	<b>213.59</b>	<b>13.87</b>	<b>-6.52</b>	<b>86.31</b>	<b>307.24</b>
<i>Net margin</i>	14.8%	4.6%	-6.2%	-2.5%	4.0%	12.7%	0.6%	-0.1%	11.9%	8.4%	19.2%	2.3%	-1.5%	11.9%	10.6%

Source: East Value Research GmbH

## CAPEX and Working capital

Despite the legal issue with Polimex Mostostal regarding the costs of the new Siechnice plant, we have decided to maintain our CAPEX estimates for 2023E-2025E unchanged. While from 2024E yearly gross CAPEX should be in the range of 9-12% of annual sales, we expect significant investments in 2028E-30E, when the plant in Wroclaw will be modernized. According to its management, in 2024E Kogeneracja will publish a detailed budget and schedule of the investments in Wroclaw.

Regarding the cash conversion cycle, we maintain our view that it will increase from -2 days in 2022 to 30 days in the long run.



## Valuation

We have valued Kogeneracja S.A. by using a DCF model only as in our view there are no listed peers, which are comparable to the company in terms of their business model. With updated estimates and lower WACC (9.3% vs. 9.7% before), our approach derives a new 12-months price target for the stock of PLN 137 (previously: PLN 150.30), which is >3 times above the company's current share price.

Below are the key assumptions of our WACC calculation:

- (1) *Risk-free rate*: Current yield of Polish long-term government bonds with maturity in 2047E is 5.64% (Source: www.boerse-stuttgart.de)
- (2) *Beta*: 4y average unlevered beta of companies from the Utility (General) sector of 0.49x (Source: www.damodaran.com)
- (3) *Equity risk premium (Poland)*: 7.40% (Source: www.damodaran.com)
- (4) *Effective tax rate*: 19%
- (5) *Target equity ratio*: 100%
- (6) *After-tax debt costs*: 6.9%
- (7) *WACC = Equity costs*: 9.3%
- (8) Free cash flows are discounted to December 7, 2023

## DCF model

in PLNm	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E				
<b>Net sales</b>	<b>2,888.70</b>	<b>2,998.19</b>	<b>3,705.63</b>	<b>3,848.82</b>	<b>3,965.77</b>	<b>4,045.80</b>	<b>4,117.11</b>	<b>4,191.14</b>	<b>4,268.01</b>				
(y-o-y change)	59.4%	3.8%	23.6%	3.9%	3.0%	2.0%	1.8%	1.8%	1.8%				
<b>EBIT</b>	<b>355.31</b>	<b>620.62</b>	<b>678.13</b>	<b>688.94</b>	<b>642.46</b>	<b>550.23</b>	<b>440.53</b>	<b>322.72</b>	<b>196.05</b>				
(EBIT margin)	12.3%	20.7%	18.3%	17.9%	16.2%	13.6%	10.7%	7.7%	4.6%				
<b>NOPLAT</b>	<b>287.80</b>	<b>502.71</b>	<b>549.28</b>	<b>558.04</b>	<b>520.39</b>	<b>445.69</b>	<b>356.83</b>	<b>261.40</b>	<b>158.80</b>				
+ Depreciation & amortisation	214.00	267.50	284.89	303.41	323.13	344.13	366.50	390.32	415.69				
= Net operating cash flow	501.80	770.21	834.17	861.45	843.52	789.81	723.33	651.72	574.49				
- Total investments (Capex and WC)	-750.29	-373.64	-722.59	-377.09	-393.55	-863.40	-888.03	-915.53	-453.11				
Capital expenditure	-949.33	-367.50	-334.89	-353.41	-373.13	-844.13	-866.50	-890.32	-416.69				
Working capital	199.03	-6.14	-387.70	-23.69	-20.42	-19.28	-21.53	-25.21	-36.42				
= Free cash flow (FCF)	-248.49	396.57	111.59	484.35	449.97	-73.59	-164.70	-263.81	121.38				
<b>PV of FCF's</b>	<b>-247.05</b>	<b>360.84</b>	<b>92.93</b>	<b>369.16</b>	<b>313.88</b>	<b>-46.98</b>	<b>-96.23</b>	<b>-141.08</b>	<b>59.41</b>				
PV of FCFs in explicit period	664.87												
PV of FCFs in terminal period	735.61												
<b>Enterprise value (EV)</b>	<b>1,400.49</b>												
+ Net cash / - net debt (30 September 2023)	467.75												
+ Investment / - minorities	0.00												
<b>Shareholder value</b>	<b>1,868.23</b>												
<b>Number of shares outstanding (m)</b>	<b>14.90</b>												
						<b>Terminal EBIT margin</b>							
<b>WACC</b>	<b>9.3%</b>					<b>1.6%</b>	<b>2.6%</b>	<b>3.6%</b>	<b>4.6%</b>	<b>5.6%</b>	<b>6.6%</b>	<b>7.6%</b>	
Cost of equity	9.3%					5.3%	92.60	145.00	197.39	249.79	302.19	354.59	406.98
Pre-tax cost of debt	8.5%					6.3%	89.98	127.14	164.30	201.46	238.63	275.79	312.95
Normal tax rate	19.0%					7.3%	87.95	115.86	143.77	171.68	199.59	227.50	255.41
After-tax cost of debt	6.9%					8.3%	86.24	108.01	129.77	151.53	173.29	195.06	216.82
Share of equity	100.0%					9.3%	84.72	102.15	119.57	137.00	154.42	171.85	189.27
Share of debt	0.0%					10.3%	83.34	97.57	111.80	126.03	140.26	154.49	168.72
<b>Fair value per share in PLN (today)</b>	<b>125.38</b>					<b>11.3%</b>	82.04	93.84	105.65	117.45	129.25	141.05	152.86
<b>Fair value per share in PLN (in 12 months)</b>	<b>137.00</b>												

Source: East Value Research GmbH

## Peer Group Analysis

We have found the following listed European companies, which operate in the same sector as Kogeneracja. We would like to emphasize that CEE-based utilities have in general much lower multiples than Western ones as most of them are state-owned and usually have weak corporate governance standards.

Peers from CEE:

- (1) *PGE S.A.*: PGE, which is based in Lublin/Poland, is the largest producer and supplier of electricity in Poland and one of the largest companies in the electricity sector in CEE. By combining its own fuel resources (brown coal), energy production and final distribution networks, PGE supplies electricity to over 5m homes, companies and institutions. In 2022, the annual production of electricity & heat in the PGE Group amounted to 66.1 TWh and 51.3 PJ respectively. The PGE Capital Group employs over 46,000 employees and has 17.8 GW of installed generation capacity. In 2022, PGE, which currently has a market cap of PLN 19.9bn, generated revenues of PLN 73.4bn and an EBITDA margin of 11.4%. Its ROCE equalled 4.9%.
- (2) *ENEA S.A.*: ENEA, which is based in Poznan/Poland, is the 2<sup>nd</sup> largest utility in Poland. In 2022, it produced 26 TWh of electricity and had production assets with 6.3 GW. The company serves 2.8m Polish clients. In 2022, ENEA, which currently has a market cap of PLN 4.9bn, generated revenues of PLN 30.1bn and an EBITDA margin of 7.3%. Last year, its ROCE equalled 2.4%.
- (3) *ZE PAK S.A.*: ZE PAK, which is based in Konin/Poland, is the largest privately-owned energy company in Poland. The company operates thermal coal mines, coal & biomass power plants and photovoltaic plants. The respective capacity equals 1,118 MW (thermal coal-powered power plant in Patnow consisting of two blocs), 105 MW (heat and electricity plant in Konin) and 70 MWp (Photovoltaic plants in the Brudzew area). In 2022, ZE PAK, which currently has market cap of PLN 1.1bn, generated revenues of PLN 4.1bn and an EBITDA margin of 6.5%. Last year, its ROCE equalled 7.4%.
- (4) *TAURON Polska Energia S.A.*: TAURON, which is based in Katowice/Poland, supplies >51 TWh of electrical energy per year to >5.6m end-customers. The company, which controls c. 20% of all coal resources in Poland, produces coal, electricity & heat from coal, biomass and photovoltaic plants and distributes it to clients. In 2022, TAURON, which currently has a market cap of PLN 7.5bn, generated revenues of PLN 36.8bn and an EBITDA margin of 8.4%. Last year, its ROCE equalled 2.3%.
- (5) *CEZ a.s.*: CEZ, which is based in Prague/the Czech Republic, is a vertically integrated energy company with operations in Czechia, Germany, Slovakia, Poland, Hungary, Italy and France. The company operates nuclear and fossil fuel-powered power plants, renewable and hydro power plants and in addition generates revenues from trading and mining. Its installed capacity comprises 11.8 GW, of which 57% nuclear, 33% lignite & hard coal, 6% hydro & renewables and 5% natural gas. In 2022, CEZ, which currently has a market cap of CZE 531.2bn, generated revenues of CEZ 285.5bn and an EBITDA margin of 46.6%. Last year, its ROCE equalled 13.3%.

Company	EV/Sales			EV/EBITDA			P/E			P/BVPS		EBITDA margin	Net gearing
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	Latest	Last FY	Latest	
PGE S.A. (PLN)	0.23x	0.25x	0.22x	2.11x	2.49x	2.29x	4.80x	5.19x	4.67x	0.36x	11.42%	0.79%	
ENEA S.A. (PLN)	0.13x	0.20x	0.21x	1.28x	2.25x	2.03x	10.00x	7.13x	5.08x	0.32x	7.25%	6.46%	
ZE PAK S.A. (PLN)	-0.01x	-0.02x	-0.04x	-0.33x	-0.34x	-0.34x	8.17x	6.76x	n.a	1.20x	6.50%	-127.74%	
TAURON Polska Energia S.A. (PLN)	0.45x	0.60x	0.62x	3.52x	4.57x	4.13x	3.34x	4.19x	3.65x	0.40x	8.35%	75.43%	
CEZ a.s. (CZK)	2.01x	1.92x	2.04x	5.67x	4.87x	5.39x	14.85x	14.42x	15.68x	2.27x	46.63%	58.34%	
<b>Median</b>	<b>0.23x</b>	<b>0.25x</b>	<b>0.22x</b>	<b>2.11x</b>	<b>2.49x</b>	<b>2.29x</b>	<b>8.17x</b>	<b>6.76x</b>	<b>4.88x</b>	<b>0.40x</b>	<b>8.35%</b>	<b>6.46%</b>	
Kogeneracja S.A. (PLN)	0.05x	0.05x	0.04x	0.27x	0.17x	0.16x	2.02x	1.21x	1.13x	0.29x	20.07%	-22.23%	
<i>Premium/Discount</i>	<i>-76.9%</i>	<i>-79.5%</i>	<i>-81.7%</i>	<i>-87.3%</i>	<i>-93.1%</i>	<i>-93.1%</i>	<i>-75.3%</i>	<i>-82.1%</i>	<i>-76.9%</i>	<i>-26.7%</i>			
Fair value Kogeneracja (PLN)	135.24												

Source: CapitalIQ, marketscreener.com, bankier.pl, East Value Research GmbH

Western peers:

(6) *Fortum Oy.*: Fortum, which is based in Helsinki/Finland, is the leading utility in the Nordics. It has a installed capacity of 8.98 GW in Sweden, Finland, Denmark and Poland, of which hydro accounts for 51.8%, nuclear for 35.9%, combined heat plants for 6% and others for 6.3%. In 2022, the company produced 44.2 TWh of power and 5.3 TWh of heat. Last year, Fortum, which currently has a market cap of EUR 12bn, generated revenues of EUR 8.8bn and an EBITDA margin of 27.4%. Its ROCE equalled 11.1%.

Fortum is a competitor of Kogeneracja in the Wroclaw region, however according to our research will likely sell its activities in the near future due to the pressure by its owner - the Finish government - to focus on renewable energy sources.

(7) *Iberdrola SA*: Iberdrola, which is based in Bilbao/Spain, is an energy company with operations on all continents. Its installed capacity equals 60.76 GW (thereof: 40.1 GW renewables) and in 2022 it produced 163 GWh (74.7 GWh). Last year, Ibedrola, which currently has market cap of EUR 72.6bn, generated revenues of EUR 53.9bn and an EBITDA margin of 22.7%. Its ROCE equalled 4.7%.

(8) *Public Power Corporation.*: Public Power Corporation (PPC), which is based in Athens/Greece, is the largest power generation and supply company in Greece engaged in the generation, distribution and sale of electricity to 5.6m consumers. Its installed capacity equals 11.1 GW of thermal, hydro and renewable power plants and in 2022 it generated 30 TWh of electricity. HEDNO S.A., its 51% subsidiary, is the owner and operator of the electricity distribution network of Greece. For last year, PPC, whose current market cap is EUR 3.9bn, reported revenues of EUR 11.3bn and an EBITDA margin of 8.5%. Its ROCE equalled 1.9%.

(9) *EDP – Energia de Portugal S.A.*: EDP, which is based in Lisbon/Portugal, is the largest utility in Portugal with operations in Europe, the Americas and Asia. It has 5.6 GW of thermal installed capacity and 22.2 GW of renewable one, whereby it plans to become CO2 neutral by 2030E. Last year, it produced 45.2 GWh of renewable and supplied 65.9 TWh of thermal energy. For 2022, EDP, whose current market cap equals EUR 18.7bn, reported revenues of EUR 20.7bn and an EBITDA margin of 15.5%. Its ROCE equalled 3.5%.

Company	EV/Sales			EV/EBITDA			P/E			P/BVPS	EBITDA margin	Net gearing
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	Latest	Last FY	Latest
Fortum Oy (EUR)	1.91x	2.07x	2.17x	6.49x	7.82x	8.31x	9.73x	11.90x	12.94x	1.42x	27.42%	18.08%
Iberdrola SA (EUR)	2.05x	2.08x	2.02x	8.12x	7.73x	7.28x	15.52x	14.92x	14.02x	1.68x	22.73%	107.25%
Public Power Corporation SA (EUR)	0.85x	0.87x	0.94x	4.92x	4.32x	4.10x	17.85x	13.39x	11.27x	0.91x	8.50%	49.16%
EDP (EUR)	1.94x	2.00x	1.94x	8.03x	7.72x	7.44x	15.48x	14.97x	14.48x	1.63x	15.53%	183.10%
<b>Median</b>	<b>1.92x</b>	<b>2.04x</b>	<b>1.98x</b>	<b>7.26x</b>	<b>7.72x</b>	<b>7.36x</b>	<b>15.50x</b>	<b>14.16x</b>	<b>13.48x</b>	<b>1.52x</b>	<b>19.13%</b>	<b>78.21%</b>
Kogeneracja S.A. (PLN)	0.05x	0.05x	0.04x	0.27x	0.17x	0.16x	2.02x	1.21x	1.13x	0.29x	20.07%	-22.23%
<b>Premium/Discount</b>	<b>-97.3%</b>	<b>-97.5%</b>	<b>-97.9%</b>	<b>-96.3%</b>	<b>-97.8%</b>	<b>-97.9%</b>	<b>-87.0%</b>	<b>-91.4%</b>	<b>-91.7%</b>	<b>-80.7%</b>		
<b>Fair value Kogeneracja (PLN)</b>	<b>419.59</b>											

Source: CapitalIQ, marketscreener.com, bankier.pl, East Value Research GmbH

## Profit and loss statement

in PLNm	2020	2021	2022	2023E	2024E	2025E
<b>Revenues</b>	<b>1,183.44</b>	<b>1,434.51</b>	<b>1,812.20</b>	<b>2,888.70</b>	<b>2,998.19</b>	<b>3,705.63</b>
Cost of goods sold	-881.46	-1,105.18	-1,339.50	-1,743.16	-1,790.00	-2,353.97
<b>Gross profit</b>	<b>301.98</b>	<b>329.33</b>	<b>472.70</b>	<b>1,145.54</b>	<b>1,208.19</b>	<b>1,351.65</b>
Other operating income	120.83	21.48	17.24	10.00	2.00	2.02
Distribution costs	-26.43	-31.74	-62.08	-514.00	-239.85	-296.45
Administration costs	-63.88	-62.66	-60.36	-65.00	-71.50	-78.65
Other operating expenses	-13.67	-3.66	-3.74	-7.23	-10.71	-15.56
<b>EBITDA</b>	<b>318.83</b>	<b>252.74</b>	<b>363.76</b>	<b>569.31</b>	<b>888.12</b>	<b>963.02</b>
Depreciation & amortisation	-161.74	-185.93	-202.99	-214.00	-267.50	-284.89
<b>EBIT</b>	<b>157.09</b>	<b>66.80</b>	<b>160.77</b>	<b>355.31</b>	<b>620.62</b>	<b>678.13</b>
Net financial result	0.68	5.97	28.77	24.00	10.00	2.00
<b>EBT</b>	<b>157.77</b>	<b>72.77</b>	<b>189.54</b>	<b>379.31</b>	<b>630.62</b>	<b>680.13</b>
Income taxes	-31.81	-15.99	-37.56	-72.07	-119.82	-129.22
Minorities	0.00	0.00	0.00	0.00	0.00	0.00
<b>Net income / loss</b>	<b>125.95</b>	<b>56.79</b>	<b>151.98</b>	<b>307.24</b>	<b>510.81</b>	<b>550.90</b>
EPS	8.32	3.78	10.04	20.62	34.28	36.97
DPS	0.00	0.32	0.00	0.00	6.86	7.39
<b>Share in total sales</b>						
Revenues	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Cost of goods sold	-74.48 %	-77.04 %	-73.92 %	-60.34 %	-59.70 %	-63.52 %
Gross profit	25.52 %	22.96 %	26.08 %	39.66 %	40.30 %	36.48 %
Other operating income	10.21 %	1.50 %	0.95 %	0.35 %	0.07 %	0.05 %
Distribution costs	-2.23 %	-2.21 %	-3.43 %	-17.79 %	-8.00 %	-8.00 %
Administration costs	-5.40 %	-4.37 %	-3.33 %	-2.25 %	-2.38 %	-2.12 %
Other operating expenses	-1.16 %	-0.26 %	-0.21 %	-0.25 %	-0.36 %	-0.42 %
EBITDA	26.94 %	17.62 %	20.07 %	19.71 %	29.62 %	25.99 %
Depreciation & amortisation	-13.67 %	-12.96 %	-11.20 %	-7.41 %	-8.92 %	-7.69 %
EBIT	13.27 %	4.66 %	8.87 %	12.30 %	20.70 %	18.30 %
Net financial result	0.06 %	0.42 %	1.59 %	0.83 %	0.33 %	0.05 %
EBT	13.33 %	5.07 %	10.46 %	13.13 %	21.03 %	18.35 %
Income taxes	-2.69 %	-1.11 %	-2.07 %	-2.49 %	-4.00 %	-3.49 %
Minorities	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Net income / loss	10.64 %	3.96 %	8.39 %	10.64 %	17.04 %	14.87 %

## Balance sheet

in PLNm	2020	2021	2022	2023E	2024E	2025E
<b>Assets</b>						
Cash and equivalents	14.08	21.92	5.17	24.44	258.73	276.69
Cash pooling	630.66	583.02	524.74	535.23	545.93	556.85
Short-term financial assets	9.12	2.73	0.00	0.00	0.00	0.00
Inventories	120.30	63.97	94.03	124.76	130.56	174.92
Trade accounts and notes receivables	167.82	208.76	239.41	365.79	363.23	428.63
CO2 certificates for redemption	59.08	202.50	168.65	5.00	5.50	6.05
Other current assets	7.24	118.31	134.91	135.41	135.91	136.41
<b>Current assets, total</b>	<b>1,008.30</b>	<b>1,201.21</b>	<b>1,166.91</b>	<b>1,190.63</b>	<b>1,439.86</b>	<b>1,579.56</b>
Property, plant and equipment	1,693.74	1,742.46	2,156.48	2,891.80	2,991.80	3,041.80
Other intangible assets	0.95	3.78	2.67	2.67	2.67	2.67
Goodwill	54.51	54.51	54.51	54.51	54.51	54.51
Other long-term assets	19.71	131.15	77.16	78.70	80.27	81.88
Deferred tax assets	77.12	73.76	73.12	70.00	0.00	0.00
<b>Non-current assets, total</b>	<b>1,846.02</b>	<b>2,005.65</b>	<b>2,363.93</b>	<b>3,097.68</b>	<b>3,129.25</b>	<b>3,180.86</b>
<b>Total assets</b>	<b>2,854.31</b>	<b>3,206.86</b>	<b>3,530.84</b>	<b>4,288.31</b>	<b>4,569.11</b>	<b>4,760.42</b>
<b>Liabilities</b>						
Trade payables	172.71	388.35	279.82	340.26	324.88	395.00
Other short-term liabilities	123.62	133.34	223.13	355.68	369.16	22.16
Short-term financial debt	3.22	2.34	7.66	8.00	7.50	7.00
Provisions	208.11	252.81	515.43	513.43	511.43	510.43
<b>Current liabilities, total</b>	<b>507.66</b>	<b>776.83</b>	<b>1,026.04</b>	<b>1,217.36</b>	<b>1,212.97</b>	<b>934.58</b>
Long-term financial debt	56.39	55.63	104.92	345.00	69.00	34.50
Other long-term liabilities	483.90	526.46	459.06	504.97	555.46	611.01
Provisions	37.47	27.75	24.39	31.00	30.90	30.80
Deferred tax liabilities	83.18	73.79	24.52	0.00	0.00	0.00
<b>Long-term liabilities, total</b>	<b>660.93</b>	<b>683.63</b>	<b>612.88</b>	<b>880.97</b>	<b>655.36</b>	<b>676.31</b>
<b>Total liabilities</b>	<b>1,168.59</b>	<b>1,460.46</b>	<b>1,638.92</b>	<b>2,098.33</b>	<b>1,868.33</b>	<b>1,610.89</b>
<b>Shareholders equity, total</b>	<b>1,679.54</b>	<b>1,739.63</b>	<b>1,882.74</b>	<b>2,189.98</b>	<b>2,700.78</b>	<b>3,149.53</b>
Minority interests	6.19	6.77	9.19	0.00	0.00	0.00
<b>Total equity and liabilities</b>	<b>2,854.31</b>	<b>3,206.86</b>	<b>3,530.84</b>	<b>4,288.31</b>	<b>4,569.11</b>	<b>4,760.42</b>

## Cash Flow Statement

in PLNm	2020	2021	2022	2023E	2024E	2025E
Net income / loss	125.95	56.79	151.98	307.24	510.81	550.90
Depreciation	161.74	185.93	202.99	214.00	267.50	284.89
Change of working capital	-125.89	-36.70	-161.23	199.03	-6.14	-387.70
Others	-7.42	74.23	231.81	16.78	-67.90	1.10
<b>Net operating cash flow</b>	<b>154.39</b>	<b>280.25</b>	<b>425.56</b>	<b>737.06</b>	<b>704.27</b>	<b>449.19</b>
<b>Cash flow from investing</b>	<b>-162.04</b>	<b>-339.14</b>	<b>-629.69</b>	<b>-949.33</b>	<b>-367.50</b>	<b>-334.89</b>
Free cash flow	-7.65	-58.89	-204.13	-212.27	336.77	114.31
<b>Cash flow from financing</b>	<b>5.54</b>	<b>66.73</b>	<b>187.38</b>	<b>231.54</b>	<b>-102.48</b>	<b>-96.34</b>
Change of cash	-2.11	7.84	-16.75	19.27	234.29	17.97
Cash at the beginning of the period	16.19	14.08	21.92	5.17	24.44	258.73
Cash at the end of the period	14.08	21.92	5.17	24.44	258.73	276.69

## Financial ratios

Fiscal year	2020	2021	2022	2023E	2024E	2025E
<b>Profitability and balance sheet quality</b>						
Gross margin	25.52%	22.96%	26.08%	39.66%	40.30%	36.48%
EBITDA margin	26.94%	17.62%	20.07%	19.71%	29.62%	25.99%
EBIT margin	13.27%	4.66%	8.87%	12.30%	20.70%	18.30%
Net margin	10.64%	3.96%	2.70%	10.64%	17.04%	14.87%
Return on equity (ROE)	7.78%	3.32%	8.39%	15.09%	20.89%	18.83%
Return on assets (ROA)	4.39%	1.58%	3.49%	6.60%	10.96%	11.53%
Return on capital employed (ROCE)	5.34%	2.15%	5.20%	9.37%	14.98%	14.36%
Economic Value Added (in PLNm)	-91.96	-172.96	-101.80	3.34	191.83	194.90
Net debt (in PLNm)	-594.25	-549.70	-417.33	-206.67	-728.16	-792.05
Net gearing	-35.38%	-31.60%	-22.17%	-9.44%	-26.96%	-25.15%
Equity ratio	58.84%	54.25%	53.32%	51.07%	59.11%	66.16%
Current ratio	1.99	1.55	1.14	0.98	1.19	1.69
Quick ratio	1.62	1.05	0.75	0.76	0.96	1.35
Net interest cover	-232.04	-11.19	-5.59	-14.80	-62.06	-339.06
Net debt/EBITDA	-1.86	-2.17	-1.15	-0.36	-0.82	-0.82
Tangible BVPS	107.34	112.17	120.77	143.32	177.60	207.72
CAPEX/Sales	13.79%	16.55%	33.99%	32.86%	12.26%	9.04%
Working capital/Sales	4.91%	5.01%	7.40%	-2.25%	-1.96%	8.87%
Cash Conversion Cycle (in days)	30	-54	-2	1	5	8
<b>Trading multiples</b>						
EV/Sales	0.13	0.11	0.08	0.05	0.05	0.04
EV/EBITDA	0.48	0.60	0.42	0.27	0.17	0.16
EV/EBIT	0.97	2.28	0.95	0.43	0.25	0.22
P/Tangible BVPS	0.39	0.37	0.34	0.29	0.23	0.20
P/E	5.00	11.01	4.14	2.02	1.21	1.13
P/FCF	-80.98	-10.53	-3.04	-2.92	1.84	5.42

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The respective supervisory authority is:

Bundesanstalt für Finanzdienstleistungsaufsicht  
Lurgiallee 12  
60439 Frankfurt