



The report was prepared by Dom Maklerski BDM at the request of the WSE as part of the Exchange's Analytical Coverage Support Programme

			2020	2021	
Price [PLN]	22,0	P/E	6,6	4,6	Analyst: Krzysztof Pado krzysztof.pado@bdm.pl tel.: (+48) 512 338 250
MC [PLN m]	502,3	EV/EBITDA	3,2	4,5	
MC adj. [PLN m]*	476,1	EV/EBIT	4,2	6,6	
		P/BV	1,0	0,8	

* adjusted for own shares

Last recommendation BDM: BUY with target price 22,0 PLN/share (2022/10/05) [LINK](#)

Q3'22 results [PLN m]

	Q3'21	Q3'22	y/y	Q3'22F BDM	dev.	Q1-3'21	Q1-3'22	y/y
Sales	493,1	569,0	15,4%	531,7	7,0%	1 280,8	1 489,8	16,3%
Gross profit	137,8	185,1	34,3%	159,3	16,2%	366,2	461,7	26,1%
Profit on sales	33,7	66,9	98,6%	38,4	74,2%	77,3	125,5	62,5%
Other operating activity net	2,8	0,7	-75,5%	-1,0	---	7,5	-5,0	---
EBITDA	47,8	79,4	66,1%	49,0	62,0%	117,6	155,0	31,9%
EBIT	36,5	67,6	85,1%	37,4	80,8%	84,7	120,6	42,3%
Profit before tax	37,8	60,3	59,6%	35,2	71,2%	87,1	119,9	37,6%
Net profit	31,1	46,4	49,1%	28,0	65,8%	70,9	94,8	33,7%
Gross margin	28,0%	32,5%		30,0%		28,6%	31,0%	
EBITDA margin	9,7%	14,0%		9,2%		9,2%	10,4%	
EBIT margin	7,4%	11,9%		7,0%		6,6%	8,1%	
Net margin	6,3%	8,2%		5,3%		5,5%	6,4%	

Source: BDM S.A., company

- Revenues in Q3'22 amounted to PLN 569.0m (+15% y/y), 7% above our expectations. A record quarter in the company's history.
- Weak revenues growth in Poland (+1%), still good in other EU markets (+11% y/y). Dynamics slowed in North and South America, but still high (+27% y/y). The biggest surprise was the increase in sales in the Eastern Europe and Asia segment (+35%), despite strong exposure to Russia.
- Subsidiaries based in Eastern Europe (Ukraine and Vostok Moskwa) realised revenues of PLN 111.2m in Q3'22 (+26% y/y), and in Asia (Kazakhstan, Turkey, China) PLN 83.5m (+48% y/y).
- As at the balance sheet date, inventories located in Eastern Europe was PLN 35m (PLN 49m after Q2'22) and receivables from customers of non-related companies from the region was PLN 30m (PLN 37m after Q2'22).
- Gross margin (32.5%) at a markedly improved level q/q and y/y. After a weak Q2'22, we assumed an improvement to 30%. The ratio of SG&A costs to revenue fell y/y and q/q.
- The impact of the other operating activities not significant in Q3'22 (PLN +0.7m).
- EBITDA amounted to PLN 79.4m in Q3'22 (vs. PLN 47.8m a year ago). A much better result than we had anticipated (we expected PLN 49.0m). The reasons for the surprise were mainly the Eastern Europe and Asia segment, which had EBITDA of PLN 46m (comparable to the EU segment), and the low level of unallocated result.
- EBITDA by segment: EU (PLN 49.8m vs. PLN 61.4m a year ago), Eastern Europe and Asia (PLN 46.0m vs. PLN 14.9m), North and South America (PLN 4.0m vs. PLN 2.7m). Nonallocated results PLN -20.4m (PLN -31.2m in Q3'21).
- EBITDA after Q1-3'22 is already at PLN 155m (Selena FM had PLN 166m EBITDA in the entire record 2020). Seasonally, Q4 is usually weaker (the company averaged PLN 18m in the last 3 years).
- Financial activities with a negative impact of PLN -8.0m (impact of interest and other expenses, neutral impact of foreign exchange differences, not assumed in our forecasts).
- Q3'22 net profit at PLN 46.4m (better y/y and above our assumptions).
- Cash flows from operating activities amounted to PLN +100.4m in Q3'22. At the end of the period, the company had net debt of PLN 162m (PLN 108m after adjusting for loans extended to related parties).
- CAPEX in Q1-3'22: PLN 26m.

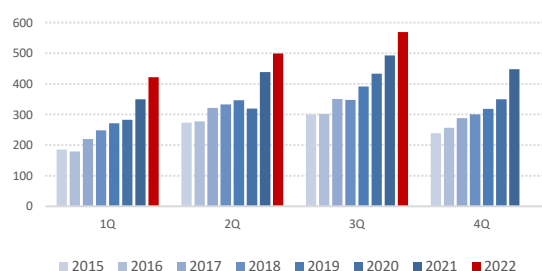
BDM Comment: Positive. The Company's Q3'22 results are clearly above our expectations due to a very strong result (both revenue and EBITDA) in the Eastern Europe and Asia segment. The company mainly increased revenues from Asian companies (+48% y/y), but Eastern Europe also posted a 28% y/y increase. The positive trend is maintained by the North and South America area. Good sales in Q3'22 in the rest of the EU, while the Polish market looks weak with only a 1% increase in sales, which, with significant inflation in the construction chemicals category, implies a clear decline in volumes. Also of note is the y/y decline in EBITDA profitability in the EU segment. Net debt (PLN 162m, of which PLN 54m finances loans to entities related to the main shareholder) clearly fell thanks to strong operating cash flow. For the last four quarters' results, EV/EBITDA=3.7x, P/E=3.8x.

Results in previous quarters [PLN m]

	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22
Sales	271,1	346,1	391,8	317,6	282,7	319,5	433,3	349,2	349,5	438,2	493,1	447,6	421,6	499,2	569,0
EU	189,2	219,6	240,0	189,9	188,9	205,0	275,6	215,2	239,4	286,4	310,4	267,3	287,7	314,8	325,6
-Poland	98,0	127,7	140,0	102,7	104,6	121,5	167,4	105,0	122,3	160,6	181,9	140,1	147,6	166,8	182,5
-other EU countries	91,2	91,9	100,0	87,2	84,3	83,6	108,2	110,2	117,1	125,8	128,5	127,2	140,2	148,0	143,1
Eastern Europe and Asia	61,9	111,0	130,2	108,4	73,0	99,1	133,8	108,9	82,5	123,2	145,9	147,2	93,4	138,1	196,5
North and South America	20,0	15,5	21,6	19,3	20,8	15,3	24,0	25,2	27,5	28,7	36,8	33,0	40,5	46,3	46,9
Gross profit	84,7	110,3	119,7	82,8	90,6	112,3	155,9	109,3	104,1	124,3	137,8	113,6	135,2	141,5	185,1
SG&A	73,5	81,7	82,6	87,0	79,7	80,3	89,3	93,4	86,0	98,8	104,2	107,4	103,5	114,5	118,2
Other operat. activity net	-1,0	-4,1	-7,3	3,3	-1,7	2,9	-0,3	1,1	1,7	3,0	2,8	1,9	-5,9	0,2	0,7
EBITDA	19,3	34,2	39,4	8,9	18,8	43,8	76,0	27,1	30,3	39,5	47,8	19,2	36,8	38,8	79,4
EU	54,2	46,2	44,5	29,7	46,2	61,9	95,4	44,6	47,7	58,1	61,4	46,7	58,9	39,4	49,8
Eastern Europe and Asia	5,0	13,2	15,8	9,4	5,8	12,2	17,6	9,3	8,2	18,0	14,9	16,8	8,5	30,2	46,0
North and South America	2,1	1,1	2,2	1,7	1,8	2,1	0,3	2,2	2,4	3,4	2,7	-1,2	5,2	7,5	4,0
Unallocated costs	-42,0	-26,4	-23,1	-32,0	-35,0	-32,4	-37,2	-29,1	-28,1	-40,0	-31,2	-43,1	-35,8	-38,3	-20,4
EBIT	10,2	24,5	29,8	-0,9	9,1	34,9	66,2	16,9	19,8	28,4	36,5	8,0	25,8	27,2	67,6
Net financial activity	-1,1	-3,2	3,1	-5,9	-3,7	-3,9	-7,1	-18,6	1,8	-1,8	-0,9	-5,9	2,3	3,1	-8,0
Profit before tax	9,1	21,7	32,9	-6,8	5,4	31,5	59,1	-0,7	21,6	27,8	37,8	1,3	28,8	30,9	60,3
Net profit	6,1	14,6	26,2	-7,3	5,2	26,1	44,3	0,7	17,5	22,3	31,1	31,8	25,0	23,4	46,4
OCF	12,1	23,4	35,5	65,0	-5,5	8,6	60,9	48,2	-9,5	-35,6	-33,9	48,8	-23,1	-31,9	103,7
Net debt	137,7	126,4	98,7	72,9	74,6	73,8	24,5	32,2	49,6	97,1	145,4	138,9	175,6	257,0	161,6
Net debt adj.	137,7	126,4	98,7	72,9	74,6	73,8	24,5	-9,9	6,4	52,0	99,3	90,7	119,6	198,7	107,6
Sales change y/y	9,2%	4,2%	12,9%	5,7%	4,3%	-7,7%	10,6%	10,0%	23,6%	37,2%	13,8%	28,2%	20,6%	13,9%	15,4%
EU	12,8%	1,0%	6,2%	3,6%	-0,1%	-6,6%	14,8%	13,3%	26,7%	39,7%	12,6%	24,2%	20,2%	9,9%	4,9%
-Poland	9,5%	4,1%	5,1%	8,1%	6,8%	-4,9%	19,6%	2,3%	16,9%	32,2%	8,6%	33,4%	20,6%	3,9%	0,3%
-other EU countries	16,6%	-3,0%	7,8%	-1,1%	-7,5%	-9,0%	8,2%	26,3%	38,8%	50,5%	18,8%	15,5%	19,7%	17,7%	11,4%
Eastern Europe and Asia	-4,6%	14,1%	25,4%	10,0%	17,9%	-10,7%	2,7%	0,4%	13,1%	24,3%	9,1%	35,2%	13,2%	12,1%	34,7%
North and South America	28,3%	-11,8%	25,5%	3,2%	4,1%	-0,9%	11,3%	30,8%	32,3%	87,2%	53,5%	31,0%	46,9%	61,3%	27,2%
Gross margin	31,3%	31,9%	30,5%	26,1%	32,0%	35,2%	36,0%	31,3%	29,8%	28,4%	28,0%	25,4%	32,1%	28,3%	32,5%
S&GA/sales	27,1%	23,6%	21,1%	27,4%	28,2%	25,1%	20,6%	26,8%	24,6%	22,5%	21,1%	24,0%	24,5%	22,9%	20,8%
EBITDA margin	7,1%	9,9%	10,1%	2,8%	6,6%	13,7%	17,5%	7,7%	8,7%	9,0%	9,7%	4,3%	8,7%	7,8%	14,0%
EU	28,7%	21,1%	18,6%	15,7%	24,5%	30,2%	34,6%	20,7%	19,9%	20,3%	19,8%	17,5%	20,5%	12,5%	15,3%
Eastern Europe and Asia	8,0%	11,9%	12,1%	8,7%	8,0%	12,3%	13,1%	8,5%	9,9%	14,6%	10,2%	11,4%	9,1%	21,9%	23,4%
North and South America	10,5%	7,3%	10,2%	8,7%	8,4%	14,0%	1,3%	8,7%	8,8%	12,0%	7,4%	-3,6%	12,8%	16,2%	8,5%
Unallocated costs	-15,5%	-7,6%	-5,9%	-10,1%	-12,4%	-10,2%	-8,6%	-8,3%	-8,0%	-9,1%	-6,3%	-9,6%	-8,5%	-7,7%	-3,6%
EBIT margin	3,8%	7,1%	7,6%	-0,3%	3,2%	10,9%	15,3%	4,8%	5,7%	6,5%	7,4%	1,8%	6,1%	5,4%	11,9%
Net margin	2,2%	4,2%	6,7%	-2,3%	1,8%	8,2%	10,2%	0,2%	5,0%	5,1%	6,3%	7,1%	5,9%	4,7%	8,2%
P/E	13,6	13,8	10,1	12,7	13,0	10,0	7,4	6,6	5,4	5,6	6,6	4,6	4,3	4,3	3,8
EV/EBITDA	7,0	6,2	5,8	5,6	5,7	5,2	3,6	3,2	3,0	3,3	4,3	4,5	4,5	5,1	3,7
EV/EBITDA adj.	7,0	6,2	5,8	5,6	5,7	5,2	3,6	3,0	2,7	3,1	4,0	4,1	4,2	4,7	3,4

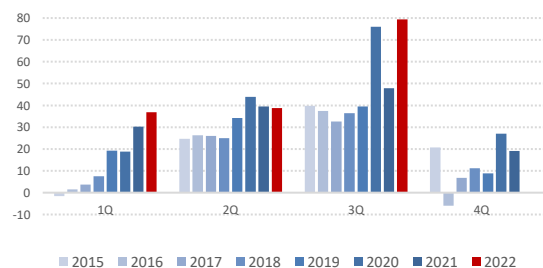
Source: Dom Maklerski BDM S.A., company

Sales [PLN m]



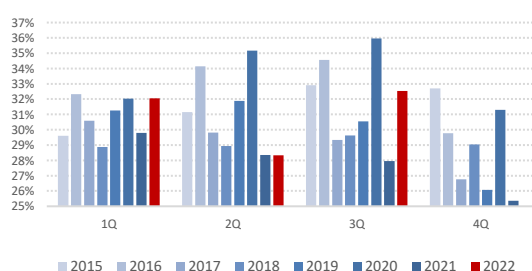
Source: Dom Maklerski BDM S.A., company

EBITDA [PLN m]



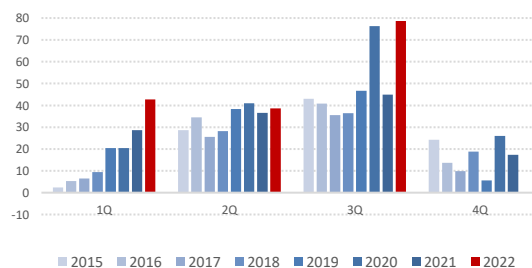
Source: Dom Maklerski BDM S.A., company

Gross margin



Source: Dom Maklerski BDM S.A., company

EBITDA adj. [PLN m]



Source: Dom Maklerski BDM S.A., company

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Explanations of terminology:

EBIT - earnings before interest and tax
EBITDA – earnings before interest, taxes, depreciation, and amortization
Net debt – interest bearing debt minus cash and equivalents
WACC - weighted average cost of capital
CAGR - cumulative average annual growth
EPS - earnings per share
DPS - dividend per share
CEPS - net profit plus depreciation per share
EV – market capitalization plus interest bearing debt minus cash and equivalents
EV/S – market capitalization / sales
EV/EBITDA – EV / sales
P/EBIT – market capitalization / EBIT
MC/S – market capitalization / sales
P/E – market capitalization / net profit
P/BV – market capitalization / book value
P/CE - market capitalization / net profit plus depreciation
ROE – net profit / equity
ROA - net income / assets
Gross margin - gross profit on sales / sales
EBITDA margin – EBITDA / sales
EBIT margin – EBIT / sales
Net margin – net profit / sales

Explanation of ratings:

Buy – we believe that the security will reach the target price in the recommended period, which significantly exceeds the current market price (at least + 15%);
Accumulate – we believe that the security will reach the target price in the recommended period, which exceeds the current market price (in the range of +5 to + 14.99%);
Hold – we believe that a security in the recommended period will fluctuate around the target price, which is close to the current market price (in the range from -4.99% to + 4.99%);
Reduce – we believe that the security will reach the target price in the recommended period, which is lower than the market price (range of decline from 5% to 14.99%);
Sell – we believe that a security in the recommended period will reach the target price, which is significantly lower than the market price (suggested erosion of the value exceeds 15%).
Target price – the theoretical price which, in our opinion, should reach a security in the recommended period; This price is the result of the company's value (eg based on DCF, comparative and other valuations), market conditions and the industry as well as other factors subjectively considered by the analyst.
Recommendations made by BDM are binding for 12 months from the issue date or until the target level is reached, unless they are updated during this period of time.

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Ratings and price targets history:

rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
Accumulate	22,0	Buy	30,0	05.10.2022*	14:45 CEST	19,35	47 830
Buy	30,0	Buy	44,3	27.06.2022*	07:00 CEST	22,20	53 014
Buy	44,3	---	---	07.09.2021*	17:30 CEST	28,00	71 799
Buy	16,5	Buy	14,4	31.05.2019	09:20 CEST	11,50	57 187
Buy	14,4	Sell	15,4	25.02.2019	09:35 CEST	9,45	60 454
Sell	15,4	Buy	21,3	11.09.2017	11:55 CEST	19,7	64 990
Buy	21,3	Buy	18,8	15.07.2016	08:49 CEST	17,05	45 246
Buy	18,8	Hold	22,3	15.02.2016		15,0	43 849
Hold	22,3	Buy	26,4	06.07.2015		20,3	52 467
Buy	26,4	Suspended	-	16.02.2015		18,3	52 561
Suspended	-	Accumulate	19,3	09.08.2012		5,83	41 254
Accumulate	19,3	Hold	20,5	13.06.2011		16,51	49 121
Hold	20,5	Reduce	17,0	06.04.2011		19,64	50 248
Reduce	17,0	Accumulate	17,0	10.12.2010		18,45	47 398
Accumulate	17,0	Buy	14,3	07.04.2010		15,1	43 500
Buy	14,3	Buy	18,7	15.10.2009		11,5	37 300
Buy	18,7	---	---	30.07.2008		14,5	42 416

* The report was prepared by Dom Maklerski BDM at the request of the WSE as part of the Exchange's Analytical Support Programme.

-- the author of the reports on Selena in 2008-2019 and from 10'2022 is Krzysztof Pado
-- the author of the reports on Selena in 2021-06'2022 was Krystian Brymora

Distribution of BDM's recommendations in Q4'22*:

, distribution of BDM's recommendations for the companies which BDM has supplied with investment banking services within the last 12 months

	number	%	number	%
Buy	6	55%	2	100%
Accumulate	2	18%	0	0%
Hold	2	18%	0	0%
Reduce	0	0%	0	0%
Sell	1	9%	0	0%

* detailed list of all analytical reports (recommendations) published by BDM during the last 12 months is included at <https://www.bdm.pl/analizy-i-informacje/analizy/historia-rekomendacji>

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This report (hereinafter also referred to as an analysis, a document) has been prepared in compliance with Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 (on market abuse), Commission Delegated Regulation (EU) 2016/958 and Commission Delegated Regulation (EU) 2017/565.

The report constitutes an investment research within the meaning of art. 36 §1 of Commission Delegated Regulation (EU) 2017/565.

The report has been prepared by Dom Maklerski BDM S.A. (hereinafter BDM S.A.) within the Exchange Analytical Coverage Support Programme (<https://www.gpw.pl/gpwpa>), BDM S.A. is a party to the „Agreement on the provision of analytical report services“ concluded with the Warsaw Stock Exchange Company („GPW“), on the basis of which BDM provides services of analytical coverage of the Issuer for the term of the Agreement. Under the agreement BDM obtains remuneration from GPW. All materials prepared by BDM within the framework of co-operation are available at <https://www.bdm.pl/program-wsparcia-pokrycia-analitycznego-gpw>

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For the first time this report has been made available to the public on 18.11.2022 (10:30 CEST). Date of preparing the report is the date of making it accessible. Before the recommendation was made accessible, information included in it had been confidential.

The prices of the financial instruments listed in the document have been taken from the real-time pricing as provided by Bloomberg. Data concerning financial instrument prices used in the report could be loaded to 24 hours before the moment of completing the report.

Detailed list of all analytical reports (recommendations) published by BDM during the last 12 months is included in a cyclical “Monthly Report”.

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*BDM is a party to the “ANALYTICAL REPORT PREPARATION AGREEMENT” concluded with the WSE.

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