



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	2021F	2022F	2023F	
Price [PLN]	27,90	P/E	8,4	8,8	14,4	9,4	Analyst: Krystian Brymora krystian.brymora@bdm.pl tel.: (+48) 501 238 443
MC [mln PLN]	637,1	EV/EBITDA	4,0	4,3	5,0	3,7	
		EV/EBIT	5,3	6,2	8,4	5,8	
		P/BV	1,2	1,1	1,0	0,9	

Last recommendation BDM: BUY with target price 44,3 PLN/share (2021/09/07) [LINK](#)

BDM Comment:

The cleaned results was in line with our expectations. The reported EBITDA (PLN 39.5m, -10% YoY, + 9% vs. BDM expectations) was boosted by subsidies (PLN +2.3m from the BIOMOTIVE project) and the release of provisions (PLN 1.5m at Selena Romania). At the same time, we would like to point out that the comparative base was overstated with the subsidy from the COVID-19 subsidies in the amount of PLN 4.5 million, and the current results should be considered good amid a record jump in the costs of strategic raw materials (mainly polyols and MDI). These raw materials stabilized in Q3'21 (slight decrease in polyols). The positive picture of the report is completed by the higher OCF (PLN -36 million vs. PLN -60 million expected). with better working capital cycle (70 days vs 82 days expected) and, consequently, lower net debt (PLN 97m vs PLN 123m expected). The higher net result was supported by a lower effective tax rate (19% vs. 28% anticipated).

Sales in Q2'21 increased by 37% YoY and was close to our assumptions (+ 40% YoY). A slightly weaker dynamics was recorded by the company on the Polish market (+ 24% YoY), and the strongest increase in sales on other EU markets (+ 65% YoY), where the result base was the lowest due to COVID-19, as well as on the American markets (+ 87% YoY), which are experiencing a construction boom especially in the USA.

The gross margin on sales was 28.4% and was in line with our assumptions. Profitability drop by 6.8 pp. was expected due to unprecedented increases in raw material costs, especially MDI and polyols. In Q3'21, these raw materials stabilized. There were slight drops in polyols from the level of EUR 2,850 / t in June to EUR 2,500 / t in September'21. In the commentary to the results, the Management Board states that "(...) In H1'21 it was not possible to 100% translate the inflation of raw materials into selling prices. This negative effect is partially compensated by the constant increase in the share of sales of innovative products with a higher margin and optimization of product recipes".

Conference with management today at 11:00 am on MS Teams.

We are reiterating our assumptions from the last RA for the company on 09/07/2021. [Selena FM Buy PLN 44.3 / share](#)

Q2'21 results [PLNm]

	IQ'19	IIQ'19	IIIQ'19	IVQ'19	IQ'20	IIQ'20	IIIQ'20	IVQ'20	IQ'21	IIQ'21	YoY	IIQ'21F BDM	difference
Revenues	271,1	346,1	391,8	317,6	282,7	319,5	433,3	349,2	349,5	438,2	37%	445,6	-2%
EU	189,2	219,6	240,0	189,9	188,9	205,0	275,6	215,2	239,4	286,4	40%	295,3	-3%
including Poland	98,0	127,7	140,4	98,1	103,9	128,6	159,3	105,0	123,6	160,0	24%	180,1	-11%
Eastern Europe and Asia	61,9	111,0	130,2	108,4	73,0	99,1	133,8	108,9	82,5	123,2	24%	128,9	-4%
America North / South	20,0	15,5	21,6	19,3	20,8	15,3	24,0	25,2	27,5	28,7	87%	21,4	34%
YoY	9,2%	4,2%	12,9%	5,7%	4,3%	-7,7%	10,6%	10,0%	23,6%	37,2%			
Gross profit on sales	84,7	110,3	119,7	82,8	90,6	112,3	155,9	109,3	104,1	124,3	11%	126,5	-2%
SG&A costs	73,5	81,7	82,6	87,0	79,7	80,3	89,3	93,4	86,0	98,8	23%	100,6	-2%
% revenues	27%	24%	21%	27%	28%	25%	21%	27%	25%	23%			
EBITDA adj.	20,4	38,3	46,7	5,5	20,5	41,0	76,3	26,0	28,1	36,6	-11%	36,3	1%
EBITDA	19,3	34,2	39,4	8,9	18,8	43,8	76,0	27,1	30,3	39,5	-10%	36,3	9%
EU	54,2	46,2	50,1	24,2	46,2	61,9	95,4	44,6	47,7	58,1	-6%		
Eastern Europe and Asia	5,0	13,2	15,8	9,4	5,8	12,2	17,6	9,3	8,2	18,0	47%		
America North / South	2,1	1,1	2,2	1,7	1,8	2,1	0,3	2,2	2,4	3,4	61%		
corrections	-42,0	-26,4	-28,6	-26,4	-35,0	-32,4	-37,2	-29,1	-28,1	-40,0	23%		
EBIT	10,2	24,5	29,8	-0,9	9,1	34,9	66,2	17,0	20,3	28,4	-19%	25,8	10%
Gross profit	9,1	21,7	32,9	-6,8	5,4	31,5	59,1	-0,7	21,6	27,2	-14%	23,6	15%
Net profit	6,1	14,6	26,2	-7,3	5,2	26,1	44,3	0,7	17,5	21,8	-17%	17,0	28%
Gross margin on sales	31,3%	31,9%	30,5%	26,1%	32,0%	35,2%	36,0%	31,3%	29,8%	28,4%		28,4%	
EBITDA margin	7,1%	9,9%	10,1%	2,8%	6,6%	13,7%	17,5%	7,7%	8,7%	9,0%		8,1%	
Net margin	2,2%	4,2%	6,7%	-2,3%	1,8%	8,2%	10,2%	0,2%	5,0%	5,0%		3,8%	
OCF	12,1	23,4	35,5	65,0	-5,5	8,6	60,9	48,2	-9,5	-35,6		-59,8	
CAPEX	-4,0	-2,6	-6,4	-14,9	-7,1	-6,2	-6,9	-52,7	-8,1	-8,6		-9,0	
FCF	7,6	19,3	28,8	53,9	-12,8	1,7	54,1	36,1	-17,1	-43,6		-68,8	
FCF12m/MC %	7%	14%	15%	17%	14%	11%	15%	12%	12%	5%			
Net Debt	137,7	126,4	98,7	72,8	74,6	73,8	24,5	32,2	52,2	97,1	32%	123,4	-21%
/EBITDA 12m	1,5	1,2	0,9	0,7	0,7	0,7	0,2	0,2	0,3	0,6		0,7	
P/E									7,2	7,6			
EV/EBITDA									3,9	4,2			

Source: 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.

Ratings and price targets history:

rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
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
Kupuj**	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 was Krzysztof Pado.

Distribution of BDM's recommendations in Q3'21*:

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

	number	%	number	%
Buy	9	90%	3	100%
Accumulate	1	10%	0	0%
Hold	0	0%	0	0%
Reduce	0	0%	0	0%
Sell	0	0%	0	0%

* detailed list of all analytical reports (recommendations) published by BDM during the last 12 months and information on the numbers of issuers to which BDM has supplied services of investment firms set out in Sections A and B of Annex I to Directive 2014/65/EU is included in a cyclical "Monthly Report" or at www.bdm.pl

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