



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]	24,30	P/E	7,3	7,4	13,3	8,6	Analyst: Krystian Brymora krystian.brymora@bdm.pl tel.: (+48) 501 238 443
MC [mln PLN]	554,9	EV/EBITDA	3,5	3,9	4,4	3,2	
		EV/EBIT	4,6	5,7	7,8	5,1	
		P/BV	1,1	0,9	0,9	0,8	

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

Q3'21 results below expectations (adjusted EBITDA PLN 45m, -12% vs. expectations) mainly due to higher increase in SG&A costs. Sales slightly above expectations. A greater negative impact of working capital (extended rotation) - negative

BDM comment: Cleaned EBITDA in 3Q'21 amounted to PLN 45m (-41% y / y) and was lower than our expectations by -12%. The reported result was enhanced by the settlement of subsidies of PLN 3.3m (PLN -0.4m due to impairment of assets). Cash flow affected by growing inventories is also disappointing (the effect of not only cost increases, but also securing supplies). Overall, the operating cycle was extended by 9 days to 79 days. We emphasize, however, that the cash inflow occurs in Q4, after the peak of the construction season. Thus, net debt should drop to the level of 0 after increasing to PLN 144m at the end of Q3'21 (+36% vs. expectations).

Sales in Q3'21 increased by 14% y / y and were slightly higher than our assumptions (+3% vs. expectations). We estimate that sales volumes dropped in Q3'21 by -4.2% y / y from the record-breaking Q3'21. We expect a similar decline in Q4'21. In turn, prices are rising at a double-digit pace (>15% y / y). The strongest market was the Americas, which increased sales by 53% y / y (+18% vs. expectations). Poland also looked good (+15% y / y) and other EU countries (+7% y / y). Eastern markets (mainly Russia) are still disappointing, where sales increased only by 9% y / y. Due to high crude oil prices and a PMI return of >50 pts in Russia, we expect a stronger contribution from this area.

The gross margin was 28%, ie with a slight q / q decline, and was slightly below our assumptions (28.4%). Profitability drop by 8 pp was expected due to unprecedented increases in raw material costs, especially MDI and polyols. The company maintains in its comment that "in 2021 it was not possible to 100% translate commodity inflation 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 the optimization of product recipes". We noted a greater deviation in SG&A costs, which were 9% higher than our assumptions, with 3% higher sales. According to the management board, "The increase in selling costs is mainly due to higher costs of transport, logistics and sales." wage inflation. Positive exchange rate differences contributed to the higher net result (PLN 31.7 million vs. PLN 26.5 million expected).

After Q1-3'21, the company has PLN 117.6m of reported EBITDA and PLN 109.6m of adjusted. In the last RA for the company on 09/07/2021. **Selena FM Buy PLN 44.3 / share**, we expected PLN 139.2 / 137.1m EBITDA at the end of 2021P, which means > PLN 20m EBITDA in Q4'21 alone. So the forecast is not demanding. Nevertheless, in the context of the increases in main MDI / silicones related to the reduction of production in China (administrative decisions reducing energy consumption) there is a risk to profitability in Q4'21-Q1'22. However, we would like to point out that silicones, where the problem and the dynamics of costs is the highest (several dozen percent), constitute only 4-5% of the costs of consumption of the company's raw materials. The highest cost is MDI (approx. 40% of raw material costs), where contract prices increased by approx. EUR 300 for Q4'21 (+11% q / q, +54% y / y).

Q2'21 results [PLNm]

	IQ'19	IIQ'19	IIIQ'19	IVQ'19	IQ'20	IIQ'20	IIIQ'20	IVQ'20	IQ'21	IIQ'21	IIIQ'21	r/r	IIIQ'21F BDM	difference
Revenues	271,1	346,1	391,8	317,6	282,7	319,5	433,3	349,2	349,5	438,2	493,1	14%	477,1	3%
EU	189,2	219,6	240,0	189,9	188,9	205,0	275,6	215,2	239,4	286,4	310,4	13%	298,8	4%
including Poland	98,0	127,7	140,4	98,1	103,9	128,6	159,3	105,0	123,6	160,0	182,7	15%	167,3	9%
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	9%	147,1	-1%
America North / South	20,0	15,5	21,6	19,3	20,8	15,3	24,0	25,2	27,5	28,7	36,8	53%	31,2	18%
YoY	9,2%	4,2%	12,9%	5,7%	4,3%	-7,7%	10,6%	10,0%	23,6%	37,2%	13,8%		10,1%	
Gross profit on sales	84,7	110,3	119,7	82,8	90,6	112,3	155,9	109,3	104,1	124,3	137,8	-12%	135,4	2%
SG&A costs	73,5	81,7	82,6	87,0	79,7	80,3	89,3	93,4	86,0	98,8	104,2	17%	95,5	9%
% revenues	27%	24%	21%	27%	28%	25%	21%	27%	25%	23%	21%		20%	
EBITDA adj.	20,4	38,3	46,7	5,5	20,5	41,0	76,3	26,0	28,1	36,6	45,0	-41%	51,1	-12%
EBITDA	19,3	34,2	39,4	8,9	18,8	43,8	76,0	27,1	30,3	39,5	47,8	-37%	51,1	-7%
EU	54,2	46,2	50,1	24,2	46,2	61,9	95,4	44,6	47,7	58,1	61,4	-36%		
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	-15%		
America North / South	2,1	1,1	2,2	1,7	1,8	2,1	0,3	2,2	2,4	3,4	2,7	9x		
corrections	-42,0	-26,4	-28,6	-26,4	-35,0	-32,4	-37,2	-29,1	-28,1	-40,0	-31,2			
EBIT	10,2	24,5	29,8	-0,9	9,1	34,9	66,2	17,0	20,3	28,4	36,5	-45%	39,9	-8%
Gross profit	9,1	21,7	32,9	-6,8	5,4	31,5	59,1	-0,7	21,6	27,2	38,4	-35%	36,8	4%
Net profit	6,1	14,6	26,2	-7,3	5,2	26,1	44,3	0,7	17,5	21,8	31,7	-28%	26,5	20%
Gross margin on sales	31,3%	31,9%	30,5%	26,1%	32,0%	35,2%	36,0%	31,3%	29,8%	28,4%	28,0%		28,4%	
EBITDA margin	7,1%	9,9%	10,1%	2,8%	6,6%	13,7%	17,5%	7,7%	8,7%	9,0%	9,7%		10,7%	
Net margin	2,2%	4,2%	6,7%	-2,3%	1,8%	8,2%	10,2%	0,2%	5,0%	5,0%	6,4%		5,5%	
OCF	12,1	23,4	35,5	65,0	-5,5	8,6	60,9	48,2	-9,5	-35,6	-33,9		3,7	
CAPEX	-4,0	-2,6	-6,4	-14,9	-7,1	-6,2	-6,9	-52,7	-8,1	-8,6	-8,9	29%	-9,0	-1%
FCF	7,6	19,3	28,8	53,9	-12,8	1,7	54,1	36,1	-17,1	-43,6	-41,6		-5,3	
FCF12m/MC %	9%	16%	17%	20%	16%	13%	17%	14%	13%	5%	-12%		-5%	
Net Debt	137,7	126,4	98,7	72,8	74,6	73,8	24,5	32,2	52,2	97,1	144,3	>5x	106,4	36%
/EBITDA 12m	1,5	1,2	0,9	0,7	0,7	0,7	0,2	0,2	0,3	0,6	1,0		0,7	
P/E											6,6		7,7	
EV/EBITDA											3,8		4,8	

Source: BDM S.A., company

**RESEARCH DEPARTMENT:****Krzysztof Tkocz**

Director

tel. (+48) 501 238 443

e-mail: krystian.brymora@bdm.pl

[strategy, chemicals, industry, energy](#)**Adrian Górniak**

Analyst

tel. (+48) 668 516 977

e-mail: adrian.gorniak@bdm.pl

[Real estate, retail, media](#)**Krzysztof Tkocz**

Analyst

e-mail: krzysztof.tkocz@bdm.pl

tel. (+48) 516 086 705

[Gaming](#)**Anna Madziar**

Junior analyst

tel. (032) 208 14 35

INSTITUTIONAL SALES DEPARTMENT:**Leszek Mackiewicz**

Director

tel. (022) 62-20-848

e-mail: leszek.mackiewicz@bdm.pl

Tomasz Ilczyszyn

tel. (022) 62-20-854

e-mail: tomasz.ilczyszyn@bdm.pl

Maciej Fink-Finowicki

tel. (022) 62-20-855

e-mail: maciej.fink-finowicki@bdm.pl

Piotr Komorowski

tel. (022) 62-20-851

e-mail: piotr.komorowski@bdm.pl

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	2	100%	3	100%
Accumulate	0	0%	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

A Legal note:

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>

The report has been prepared and made available for distribution by BDM.

GPW shall be a copyright holder to this report from the date of its publication. The report can be published and made available without limitation by GPW through any mass communication media as decided by GPW.

This report does not constitute an investment, legal, accounting advice or any other, and BDM shall not be responsible for damages arising from or connected with the use of the data presented in the report or the use of any elements of the report by recipients. The report or any copy of it cannot be disseminated, directly or indirectly, in the United States, Canada, Australia or Japan, or transmitted to citizens or residents of a state where its distribution can be restricted by law, which does not limit the possibility of publishing the report on internet websites of the Issuer, BDM or GPW. Persons who disseminate this document should be aware of the necessity to comply with such restrictions.

The document can be intended for professional or institutional customers of BDM as well as for other BDM qualified customers entitled to receive general recommendations based on agreements for brokerage services. This report can also reach other entities through media distribution channels based on a decision of the manager of the analysis department. The fact that a recipient has obtained this report does not mean that he shall be treated as a BDM customer. The compilation cannot be published or copied without a prior written consent of BDM.

Persons who will receive this report and who are not professional customers or qualified investors should consult an independent financial advisor before making any investment decision based on this analysis in order to obtain any necessary and crucial explanations concerning the contents of this analysis.

To prepare this analytical report BDM has not considered individual needs or situations of customers. BDM is not obliged to guarantee that a financial instrument or financial instruments covered by this report are appropriate for a given investor.

Opinions of an analyst and any recommendations included in this report neither constitute an investment, legal, accounting or tax advice or a statement that any investment strategy is adequate or appropriate because of individual circumstances concerning the customer, nor constitute personal recommendation.

The analysis is for information purposes only and does not constitute an advertisement or an offer or an invitation to subscribe or purchase financial instruments.

An investor should be aware that each investment decision in the capital market is subject to numerous risks that finally can result in a financial loss suffered by him. The return rate on individual investments can fluctuate depending on various factors beyond the control of the investor. Therefore, a customer who makes a single investment decision should not only check currency and correctness of individual assumptions made by the analyst in the report but also have an independent assessment and own analysis (also based on scenarios other than the ones presented in the report) taking into consideration the level of acceptable risk. When deciding on activity on the capital market the investor should take into consideration the fact that the investment portfolio structure (diversification of investment through possessing more than one financial instrument) can reduce risk exposure to an individual instrument bringing a negative rate of return in a given period. At the same time, however, it can lead to limitation of a positive rate of return the investor could achieve in the case of a single financial instrument in a given time period. The investor should be aware that the investment portfolio structure and any investment strategy for the stock market do not guarantee the achievement of a positive rate of return and do not protect him against final loss.

For the first time this report has been made available to the public on 26.11.2021 (08:20 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”.

In the opinion of BDM this report has been prepared observing principles of methodological correctness and objectivity on the basis of sources available to the public which BDM considers reliable. The sources of information used in recommendation are all data related to financial instruments concerned and available to an analyst, including current and periodic reports of the company, current and periodic reports of entities used for comparative valuation, business reports, press releases and other. However, BDM S.A., in no case, guarantees the accuracy and completeness of this report, in particular should sources on the basis of which the report was prepared prove to be inaccurate, incomplete or not fully consistent with the facts. The forecasts presented in the report are solely based on the analysis made by BDM without consultations with companies or other entities and are based on a number of assumptions which could prove to be wrong in the future. BDM does not guarantee that the presented forecasts will prove right.

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.

Any opinions, forecasts or estimates made in the report are merely an expression of analyst assessment as of the day of preparation of the report and at any moment they can be changed without notice. BDM does not guarantee that the opinions or assumptions made by an analyst/analysts and included in this report are compatible with other analysis prepared by BDM. BDM updates issued recommendations depending on the market situation and analyst assessment, and the frequency of such updates is not defined.

According to BDM this report has been made with due diligence and reliability. However, BDM shall not be held liable for any damages incurred as a result of decisions made on the basis of information included in this report.

The report was not transferred to the issuer prior to its publication.

An analyst (analysts) preparing this document receives a fixed remuneration and the BDM Management Board has the right to grant them additional remuneration. Additional remuneration may indirectly depend on the results of other services offered by BDM, including investment banking services, but it shall not depend directly on financial results resulting from other services, including financial banking, which have been or could have been reached by BDM.

The investor should assume that BDM employees or proxies or shareholders may hold long or short positions in the issuer's shares or other financial instruments related to the issuer's shares; this particularly concerns the situation of holding not more than 5% of the capital, and they may also carry out transactions on them as proxies.

Each of the above-mentioned persons could carry out transaction relating to the financial instruments concerned prior to this publication. At the same time, however, the instruments concerned are entered in the restrictive list for employees of the Analysis Department immediately at the start of work on the report.

We have not identified significant conflicts of interest between BDM and persons associated with BDM and the financial instrument issuer. If a conflict of interest arises BDM shall manage it by applying the principles defined in the “Policy of management of conflicts of interest at the BDM S.A.”. We point out that as for 26.11.2021:

- BDM states and assures that BDM is involved financially in financial instruments of the issuer.
- BDM is not a holder of net long or short positions exceeding the threshold of 0,5 % of the total issued share capital of the issuer,
- The person that participated in preparing recommendation is not a holder of net long or short positions exceeding the threshold of 0,5 % of the total issued share capital of the issuer,
- The issuer does not hold shares exceeding 5 % of the BDM issued share capital,
- BDM is not a market maker or liquidity provider in the financial instruments of the issuer,
- BDM has not been lead manager or co-lead manager over the previous 12 months of any publicly disclosed offer of financial instruments of the issuer;
- BDM is not a party to an agreement with the issuer relating to the provision of investment banking services pursuant to art. 69 §2 and 4 of the Act on Trading in Financial Instruments dated 25th July 2005,
- BDM is not a party to an agreement with the issuer relating to the provision of investment banking services pursuant to section A and B od Annex I to the Directive 2014/65/EU of the European Parliament and of the Council (hereinafter the Directive 2014/65/EU),
- BDM is a party to an agreement with the issuer relating to the production of the recommendation*,
- There is no other significant financial interest that BDM or its related affiliates have in relation to the issuer of financial instruments,
- There are no significant connections between BDM or its related affiliates and the issuer of financial instruments,
- The person affiliated with BDM who was involved in the preparation of recommendations did not receive or purchase the shares of the issuer, to whom the recommendation relates directly or indirectly, prior to public offering of such shares,
- The person affiliated with BDM who was involved in the preparation of recommendations declares that they respect internal regulations and are subject to organizational and technical solutions and information barriers established by BDM to eliminate any conflicts of interest concerning recommendations and to avoid them,
- The person affiliated with BDM who was involved in the preparation of recommendations was not rewarded in any form by the issuer, to whom the recommendation relates directly or indirectly, or was not directly connected with any possible transactions concerning services defined in art. 69 §2 and 4 of the Act on Trading in Financial Instruments dated 25th July 2005.

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

According to the best knowledge of the party recommending upon the publication of the report there are no other connections between BDM and the company described in this report that the party preparing this report would know of. However, the investor should be aware that the list disclosing conflicts of interest is long and that in the future there may occur situations leading to conflicts of interest which have not been identified or disclosed at the moment of publication of the report concerned. Especially, the investor should assume that BDM may submit an offer for services to a company or other companies mentioned in this report.

BDM is subject to supervision by the Polish Financial Supervision Commission.

This document is a summary of a full version of the report prepared in Polish. In case of any disputes the Polish version shall prevail.