



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	2022F	
Price [PLN]	22,50	P/E	6,7	5,0	12,6	<b>Analyst:</b> Krystian Brymora krystian.brymora@bdm.pl tel.: (+48) 501 238 443
MC [mln PLN]	513,8	EV/EBITDA	3,3	4,8	5,4	
		EV/EBIT	4,3	7,0	9,1	
		P/BV	1,0	0,9	0,8	

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

**Q4'21 results below our expectations (EBITDA of PLN 18.6m, 8% below estimate). Strong sales, but product prices did not yet compensate for expensive raw materials. The quarter was not seasonally significant for the annual results. Full-year results (PLN 136.2m EBITDA) close to what we expected in our last analyst report of September'21 (PLN 139m EBITDA) – neutral**

**BDM comment:** In Q4'21, the Company posted EBITDA of PLN 18.6m (-8% q/q) on sales of PLN 447.6m (+18% q/q). Adjusted for other operating income EBITDA amounted to PLN 17.3m (-15% q/q). For the full year, the Company achieved 136.2/126.9 reported/adjusted EBITDA. **Thus, Selena FM's full-year results came in line with our expectations set forth in our last analyst report of 7 September 2021, entitled [Selena FM Buy at PLN 44.3/share](#), where we expected PLN 139.2/137.1m EBITDA by the end of 2021.**

Selena's Q4'21 sales increased by as much as 28% y/y. We assume that at least 15% was driven by higher product prices, and the rest by strong demand for construction materials. The biggest growth was recorded in the Eastern Europe segment (+35%). This was also where we saw the biggest increase in EBITDA, and we had high hopes for this area (the high price of oil translated into positive sentiment and investments). However, the outbreak of war in Ukraine on February 24th 2022 completely changes the outlook for Q1'22 and 2022.

Gross margin stood at 25%, lower q/q and lower than our assumptions (28.4%). The 600 bps y/y decline in profitability is a result of unprecedented increases in raw material costs, especially MDI and polyols. In management commentary: "Decrease in gross profitability of sales due to continued increase in raw material prices on global markets and inability to fully transfer raw material price increases in selling prices. The Group continues to increase the share of sales of higher margin innovative products and optimizes product formulations." In Q1'22, comparing PSB's construction chemicals and raw materials indices, we see a rebound in theoretical margin. Thus, we do not assume its further deterioration, and 4Q'21 marked its bottom with high probability.

The net income was inflated by a PLN 28.6m deferred tax on temporary differences. As a result, net profit was boosted to PLN 31.7m on a book basis. Our approach to both 2021 and 2022 results was very conservative (appropriate) in view of the large increase in raw material costs. **This approach gave room for positive surprises in 2022 with strong demand for construction materials and strong geographic diversification observed... had it not been for the outbreak of war in Ukraine and the economic isolation of Russia.** We estimate that the company placed approximately 20% of its sales in Russia. Therefore, we are lowering our Q2-4 forecasts with a risk of further downward revisions. However, given the strong Q1'22, in which we raised our forecasts, our full-year guidance remains unchanged.

Next meeting with management on Wednesday, May 4 at 12:00 pm on MS Teams. We presented our forecasts for Q1'22 in the material under the link [Selena FM-forecasts for Q1 2022](#)

**Q4'21 results [PLNm]**

	IQ'19	IIQ'19	IIIQ'19	IVQ'19	IQ'20	IIQ'20	IIIQ'20	IVQ'20	IQ'21	IIQ'21	IIIQ'21	IVQ'21	YoY	IVQ'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	447,6	28%	379,8	18%
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	24%	236,4	13%
including Poland	98,0	127,7	140,4	98,1	103,9	128,6	159,3	105,0	123,6	160,0	182,7	134,9	28%	115,5	17%
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	35%	116,5	26%
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	33,0	31%	26,9	22%
YoY	9,2%	4,2%	12,9%	5,7%	4,3%	-7,7%	10,6%	10,0%	23,6%	37,2%	13,8%	28,2%		8,8%	
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	113,5	4%	107,8	5%
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	107,4	15%	99,1	8%
% revenues	27%	24%	21%	27%	28%	25%	21%	27%	25%	23%	21%	24%		26%	
<b>EBITDA adj.</b>	<b>20,4</b>	<b>38,3</b>	<b>46,7</b>	<b>5,5</b>	<b>20,5</b>	<b>41,0</b>	<b>76,3</b>	<b>26,0</b>	<b>28,1</b>	<b>36,6</b>	<b>45,0</b>	<b>17,3</b>	<b>-33%</b>	<b>20,3</b>	<b>-15%</b>
<b>EBITDA</b>	<b>19,3</b>	<b>34,2</b>	<b>39,4</b>	<b>8,9</b>	<b>18,8</b>	<b>43,8</b>	<b>76,0</b>	<b>27,1</b>	<b>30,3</b>	<b>39,5</b>	<b>47,8</b>	<b>18,6</b>	<b>-31%</b>	<b>20,3</b>	<b>-8%</b>
EU	54,2	46,2	50,1	24,2	46,2	61,9	95,4	44,6	47,7	58,1	61,4	46,7	5%		
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	81%		
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	-1,2			
corrections	-42,0	-26,4	-28,6	-26,4	-35,0	-32,4	-37,2	-29,1	-28,1	-40,0	-31,2	-43,1	48%		
EBIT	10,2	24,5	29,8	-0,9	9,1	34,9	66,2	17,0	20,3	28,4	36,5	7,5	-56%	8,7	-15%
Gross profit	9,1	21,7	32,9	-6,8	5,4	31,5	59,1	-0,7	21,6	27,2	38,4	1,2		5,6	
Net profit	6,1	14,6	26,2	-7,3	5,2	26,1	44,3	0,7	17,5	21,8	31,7	31,7		4,0	
<b>Gross margin on sales</b>	<b>31,3%</b>	<b>31,9%</b>	<b>30,5%</b>	<b>26,1%</b>	<b>32,0%</b>	<b>35,2%</b>	<b>36,0%</b>	<b>31,3%</b>	<b>29,8%</b>	<b>28,4%</b>	<b>28,0%</b>	<b>25,4%</b>		<b>28,4%</b>	
EBITDA margin	7,1%	9,9%	10,1%	2,8%	6,6%	13,7%	17,5%	7,7%	8,7%	9,0%	9,7%	4,2%		5,3%	
Net margin	2,2%	4,2%	6,7%	-2,3%	1,8%	8,2%	10,2%	0,2%	5,0%	5,0%	6,4%	7,1%		1,1%	
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	1%	131,6	-63%
CAPEX	-4,0	-2,6	-6,4	-14,9	-7,1	-6,2	-6,9	-52,7	-8,1	-8,6	-8,9	-10,3		-12,5	
FCF	7,6	19,3	28,8	53,9	-12,8	1,7	54,1	36,1	-17,1	-43,6	-41,6	39,6	10%	119,2	-67%
FCF12m/MC %	9%	17%	18%	21%	17%	14%	19%	15%	15%	6%	-13%	-12%		3%	
Net Debt	137,7	126,4	98,7	72,8	74,6	73,8	24,5	32,2	52,2	97,1	144,3	138,3	330%	58,8	135%
/EBITDA 12m	1,5	1,2	0,9	0,7	0,7	0,7	0,2	0,2	0,3	0,6	1,0	1,0		0,4	
P/E										6,1	7,2	5,0			
EV/EBITDA										3,5	4,5	4,8			

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
<b>Buy</b>	<b>44,3</b>	---	---	<b>07.09.2021*</b>	<b>17:30 CEST</b>	<b>28,00</b>	<b>71 799</b>
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 Q2'22\*:**

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

	number	%	number	%
Buy	2	100%	2	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

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

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