

Masterplast – Q1 earnings

After several negative quarters, Masterplast achieved a profit again in the first quarter of 2024 at the level of EBITDA, and the after-tax result also turned into a minimal plus. Although revenues continued to decrease compared to the same quarter of the previous year, the efficiency improvement measures already have a positive effect on the company's results. We confirm our 12-month target price at HUF 4036, we reiterate the buy recommendation for Masterplast shares.

Q1 RESULT

The total revenue of the Group amounted to EUR 32665 thousand in Q1 2024, which was 13% lower than in Q1 2023. With higher priced raw material stocks running out in the previous quarter, the margin rate on turnover improved significantly compared to the average for the last year.

The profitability of the Serbian fiberglass factory has improved significantly compared to a year ago, turning last year's loss-making operation back into profit. A major role in this is played by the fact that the previously higher-price raw materials ran out for the current year, while this effect significantly affected the base. The XPS investment in Subotica and the new EPS investment in Italy have also been completed, where production for market started the first quarter of 2024.

The personnel expenses of the Company were at the same level as last year, despite the almost 200 people lower closing headcount (1 231). This reflects a significant increase in wage levels, which, in addition to the necessary wage increases in the inflationary environment.

The Group's operating EBITDA in Q1 2024 was a profit of EUR 856 thousand. Taking depreciation into account, the operating result (EBIT) still showed a loss. The Group PAT (profit after tax) was EUR 53 thousand in Q1 2024.

thousand EUR	Q1 2024	Q1 2023
Sales revenue	32665	37602
EBITDA	856	-2032
EBITDA ratio	2,6%	-5,4%
Profit after tax	53	-5837
Net income ratio	0,16%	-

Source: Masterplast, MKB

SALES BY PRODUCT GROUP

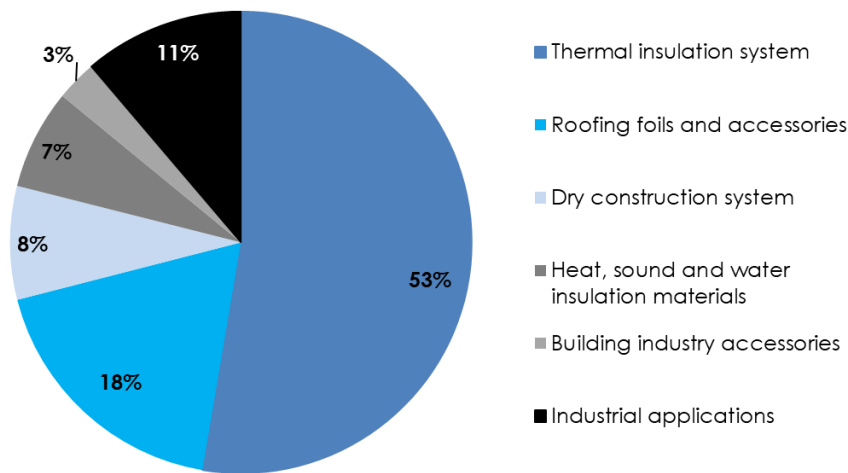
In terms of the revenue slate, **thermal insulation systems** provided the biggest share (55%): its sales decreased by 15% in the first quarter compared to the base period. The sales of EPS insulation materials have decreased significantly, as this product range is most affected by price competition.

Turnover of **Roofing foils and accessories** in Q1 2024 was at the same level than in the same period in 2023. Masterplast's recently launched diffusion roofing foils, manufactured in-house, performed well.

In the **Industrial applications product group**, sales grew by 8% in Q1 2024. The turnover performance of both the own account produced health care raw materials and other raw materials trading activities both increased.

In the **dry construction system** decreased in Q1 2024 by 28% compared to the base. In the **building industry accessories**, the sale of products decreased by 17% in the first quarter of 2024. In the **Heat, sound and water insulation** materials product group the sales decreased by 27% in Q1 2024 compared to the same period in 2023.

Contribution of product groups in percentage to the total sales revenue



Source: Masterplast, MKB

SALES BY COUNTRIES

The Group has decreased its total sales by 13% in Q1 2024 compared to the Q1 2023 base period.

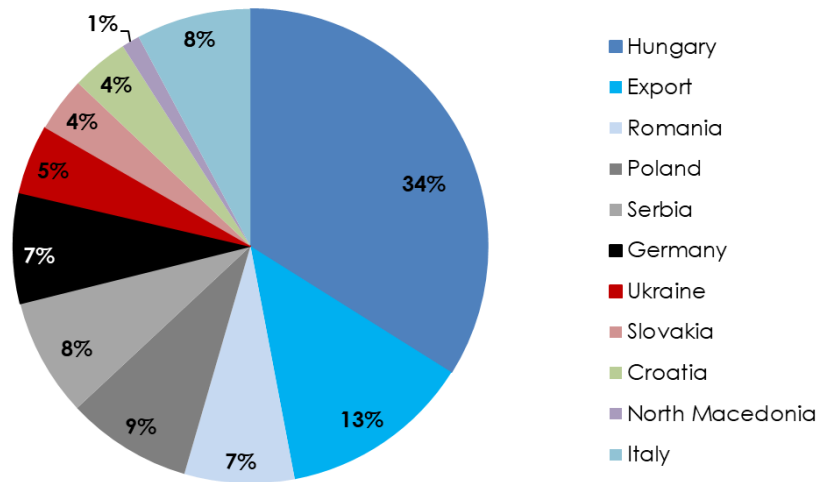
The breakdown of the sales by countries shows the revenue realized in countries where Masterplast has its own subsidiary, regardless of which subsidiary has registered the sales in the country. For countries where there is no Group subsidiary, sales are reported on the Export line.

In the first half of 2022, the Company revised and changed the breakdown of its sales by country. With foundation of Masterplast Italia Srl. the Group reclassified the Italian market from the Export category to a separate category, as from H1 2022 Masterplast has own subsidiary in the country.

On the most relevant **Hungarian** market the turnover decreased by 22% in Q1 2024 compared to the base period. Sales declined in all product groups.

In the **Export** market in Q1 2024, the turnover grew by 10% compared to the same period of the previous year. Sales in the **German** market grew by 2% in the first quarter compared to the corresponding period last year.

Contribution of countries in percentage to the total sales revenue



Source: Masterplast, MKB

In **Italy**, sales increased by 14% compared to the first quarter of last year, mainly due to sales of the thermal insulation systems product group.

On the key **Romanian** market, sales fell by 25% in Q1 2024 compared to the base period. In **Serbia**, sales increased by 9% in 2024 Q1.

On the **Croatian** market the Group sales decreased by 18% in Q1 2024 compared to the base term. On the **Polish** market the sales decreased by 36% in Q1 2024 compared to the base. In the **Slovak** market, sales decreased by 14% in Q1 2024. Despite the war situation in **Ukraine**, first-quarter sales increased by 30% compared to the base in 2023.

Comment

Due to the unfavorable macro trends, the rise in energy prices, the increase in inflation and the deterioration of the interest rate environment, the construction of new buildings fell significantly last year. At the same time, the renovation and energetic modernization of buildings is essential. The framework of the EU's REPowerEU program foresees the emergence of powerful building energy support programs in Europe. All these may ensure the growth of demand for insulation materials. The increase in domestic demand this year may also be supported by the fact that the government is expected to launch in June related energy efficiency support programs.

The demand for construction products may begin to recover this year, so after last year's break, growth may start again at Masterplast. The company is expanding its capacity in the field of styrofoam-based thermal insulation, and from 2025, Masterplast may also enter the market of fibrous insulation materials, and this may mean significant growth potential.

At the end of 2023, inflation forecasts across Europe showed a significant improvement, at the same time a strong wave of central bank interest rate cuts began. The improvement of the interest rate environment may have a stimulating effect on building investments, and previously frozen projects may be restarted. The market recovery is expected to be slow; forecasts predict a positive turn in the construction industry by 2025.

The company held an investor day, where the management said that the profit targets planned for 2026 last spring can be achieved by 2027 according to the current situation. By 2027, the management has projected revenues of EUR 405 million, EBITDA of EUR 43,9 million (EBITDA margin of 10,8%), and profit after tax of EUR 30,8 million.

We last reviewed our DCF model in March and then lowered our earnings expectations for the next years. Due to last year's lower base, the profit forecasts for the following years have also decreased in our model. Another update of our model is not necessary, our expectations are lower than the management's forecasts. By 2028, we expect a sales revenue of 382 million euros from Masterplast. However, this can only be realized if the investments in the mineral wool business segment are realized within the previously announced deadline and sales pick up quickly. The mineral wool projects treated as priority are progressing according to plan. The glass wool factory investment in Szerencs will be implemented in strategic cooperation with Selena FM S.A., with a 50%-50% share, and the Halmajugra rock wool factory investment also will be implemented jointly with a professional co-investor, Market Építő Zrt. The start-up of the factories is expected in the first half of 2025. We confirm our 12-month target price at HUF 4036, we reiterate the buy recommendation for Masterplast shares.

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6. Recommendations

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