

# AD Plastik

**Hold**

Maintained

Price: HRK 80  
Price target: HRK 88  
(From HRK 176)

## Out-of-luck hero

We stick to our HOLD rating on AD Plastik, but reduce our 12M price target (PT) by half, to HRK 88/share (from HRK 176), implying 10% upside. With the European market performing weaker than expected this year and the inevitable revenue hit from Russia, we are more cautious in our mid-term forecasts. We expect solid revenue growth next year already, but it will take some time before the increasing costs are matched by higher product prices, and we do not see margin normalisation before 2024E. Moreover, our model does not assume any dividend distribution for the next two years. We highlight EAPS' (50% equity investment) improving outlook, expecting healthy growth and dividends for AD Plastik in the coming years, we stress that the company creates a good product and it should navigate its way out of current crisis, in our view. However, based on the current outlook, the next 12 months will still be tough for the entire industry, AD Plastik, with its Russian exposure, included. A sudden change in Russia/Ukraine, more contracts with its EU partners, or a faster-than-expected uptick in the global auto market all present major upside risks for our current rating.

**European sales remain weak.** Falling behind expectations, the EU market is down 14% ytd and a strong recovery is not expected currently, with ongoing supply issues and a recession coming. In 2023E, we expect the market to improve, leading to 20% European revenue growth at AD Plastik, but we do not expect a full recovery, with normalised margins, before 2024E.

**Russia revenue could be weak for years.** With two of its five plants in Russia (25% of total revenue before the war and COVID-19), a stable or growing revenue contribution from the country remains uncertain. AD Plastik is cooperating with its Russian partners, which have a significant weight in the Russian revenue, but we note that international car companies might not restart production there. Having said that, in the long term, we expect Asian car makers to replace their western peers, the effects of the sanctions to fade, and revenue to return to pre-war and pre COVID-19 levels around 2026E.

**Cost inflation first, revenue growth later.** Apart from higher employee expenses, third-party services or higher commodities costs, AD Plastik faces a higher gas bill in the coming quarters and years. Luckily, the company has secured power at a favourable price and the renegotiation of its production contracts should offset the cost inflation later, on our estimates. Versus our previous update, in December 2021, before the war and with stronger expectations for the European market, we now see negative net profit in both 2022E and 2023E. Our 2021-25E EBITDA CAGR forecast stands at conservative 3% now.

**Valuation.** Our lower PT is driven by both weaker revenue and profitability outlook, but also by our increased WACC assumptions for the entire model period and by peer multiple compression. Our DCF arrives at HRK 93/share. Our 2022-24E EV/EBITDA yields 19% downside, at HRK 60/share. **Risks:** weaker PC registrations than expected; the pandemic; supply issues (caused indirectly by semiconductor shortages and increasing freight costs); FX risks, namely on its debt; or its heavy dependence on one customer, Renault, and general Russia risk. On the opposite side, a sudden turnaround in the war in Ukraine and a return of the Russian market would present upside.

HRK m	Sales	EBITDA	Net Profit	EPS (HRK)	P/E (x)	EV/EBITDA (x)	P/BV (x)	Div. yield	DPS (HRK)
2019	1,542	197	93	22.2	7.7	5.9	0.8	2.3%	3.9
2020	1,219	166	47	11.2	13.1	5.8	0.7	10.8%	15.8
2021	1,126	125	33	7.8	10.8	5.8	0.4	0.0%	0.0
2022E	795	-56	-82	-19.5	n.m.	n.m.	0.5	0.0%	0.0
2023E	954	42	-14	-3.3	n.m.	15.2	0.5	0.0%	0.0
2024E	1,156	110	54	12.8	6.6	5.6	0.4	11.8%	10.0

### Expected events

3Q22 results 27 October

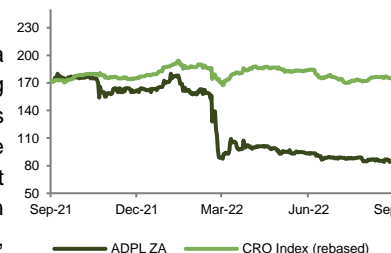
### Key data

Market Cap	EUR 45m
Free float	67%
3M ADTV	EUR 40k
Shares outstanding	4.2m
Major Shareholder	OA0 Holding, 30%
Bloomberg Code	ADPL ZA
CRO Index	1,983

### Price performance

52-w range	80-180
52-w performance	-53%
Relative performance	-55%

AD Plastik 12M share price performance



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## Closing Prices as of 09 September 2022

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# Company snapshot – HOLD, PT HRK 88

## AD Plastik

### HOLD

Bloomberg ticker	ADPL ZA
Closing price (HRK)	80
Price target (HRK)	88
Upside to PT	10%
Shares outstanding (m)	4.2
Mcap EUR (m)	45
3M ADTV (EUR ths)	0.04
Free float	67%
52 Week Range	80-180
52W performance	-53%
Relative performance	-55%



### COMPANY DESCRIPTION

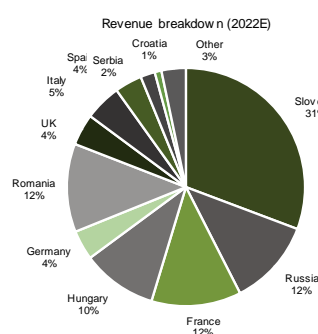
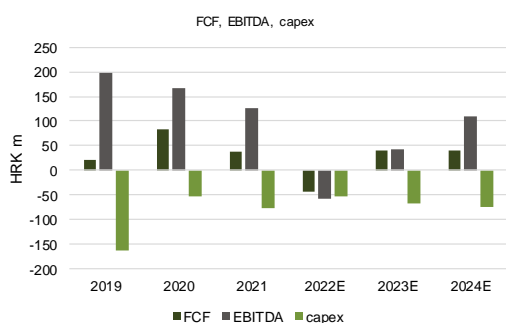
AD Plastik is an auto parts manufacturer, producing mainly interior and exterior plastic car components. The company has been present in the business for almost three decades, but traces its roots back to 1952. Over the years, AD Plastik has grown its exposure to 20 countries on five continents, with subsidiaries in five countries. The company has dozens of long-term agreements with many major automotive companies, and a strong pipeline of deals ahead. AD Plastik now faces new challenges, from: 1) the ongoing weakness of the automotive supply, caused by disrupted supply chains; and 2) the unfortunate effects of the war in Ukraine, with around 25% revenue coming from Russia before the conflict started.

### RATIOS

	2019	2020	2021	2022E	2023E	2024E		2019	2020	2021	2022E	2023E	2024E
<b>PER SHARE RATIOS</b>							<b>VALUATION RATIOS</b>						
EPS	22.2	11.2	7.8	-19.5	-3.3	12.8	P/E	7.7x	13.1x	10.8x	n.m.	n.m.	6.6x
BVPS	208.6	204.9	199.8	180.4	177.1	189.9	P/CF	6.0x	4.8x	3.4x	6.5x	5.8x	7.8x
DPS	3.9	15.8	0.0	0.0	0.0	10.0	P/BV	0.8x	0.7x	0.4x	0.5x	0.5x	0.4x
<b>FINANCIAL RATIOS</b>							<b>EV/EBITDA</b>						
EBITDA margin	12.8%	13.6%	11.1%	-7.1%	4.4%	9.5%	EV/Sales	0.8x	0.8x	0.6x	0.9x	0.7x	0.5x
EBIT margin	5.6%	5.7%	3.0%	-17.9%	-4.3%	2.1%	EV/EBIT	13.4x	13.9x	21.7x	n.m.	n.m.	25.1x
Net margin	6.1%	3.9%	2.9%	-10.3%	-1.5%	4.6%	FCF, HRK m	22	82	37	-44	41	40
ROE	10.6%	5.5%	3.9%	-10.8%	-1.9%	6.7%	FCF yield	3.1%	13.4%	10.5%	-12.5%	11.7%	11.3%
ROIC	5.1%	4.9%	1.5%	-13.4%	-4.2%	1.3%	Dividend yield	2.3%	10.8%	0.0%	0.0%	0.0%	11.8%
ROA	5.5%	3.0%	2.2%	-6.3%	-1.0%	3.9%	Payout ratio	58%	18%	141%	0%	0%	0%
Net debt/EBITDA	2.28x	2.06x	2.98x	n.m.	6.85x	2.35x							
Total debt/Equity	53.7%	46.5%	46.2%	49.0%	46.7%	40.5%							

### COMPANY FINANCIALS

	2019	2020	2021	2022E	2023E	2024E		2019	2020	2021	2022E	2023E	2024E
<b>INCOME STATEMENT, HRK m</b>							<b>BALANCE SHEET, HRK m</b>						
Revenues	1,542	1,219	1,126	795	954	1,156	Fixed Assets	1,105	980	981	868	840	829
Cost of Raw Materials	-731	-603	-548	-420	-493	-586	Intangible assets	105	85	84	60	39	24
Cost of Goods Sold	-171	-62	-72	-48	-76	-69	Property, plant and equipment	787	749	749	658	647	646
Gross profit	640	554	506	327	384	500	Investments in associates	93	72	68	71	75	81
Operating expenses	-443	-388	-381	-383	-342	-391	Other	121	73	81	79	79	79
EBITDA	197	166	125	-56	42	110	Current Assets	596	561	490	434	482	560
Depreciation	-110	-97	-92	-86	-84	-85	Inventories	207	182	193	176	158	182
EBIT	87	69	34	-142	-41	24	Trade receivables	270	268	233	184	172	199
Profit from Associates	41	20	15	36	42	52	Cash and cash equivalents	27	63	30	49	72	80
Net financial income	-14	-32	-1	27	-13	-12	Other	92	49	33	25	80	98
Profit Before Tax	114	57	48	-79	-12	65	Total assets	1,701	1,541	1,470	1,302	1,322	1,389
Taxes	-20	-10	-15	-3	-2	-11	Current Liabilities	576	493	364	277	311	324
Net Income	93	47	33	-82	-14	54	Short Term Borrowing	232	220	141	125	100	76
<b>CASH FLOW, HRK m</b>							<b>LT Liabilities</b>						
CF from Operations	120	129	105	55	62	46	LT Loans	238	180	247	247	247	247
Thereof depreciation	110	97	92	86	84	85	Other LT liabilities	12	8	21	21	21	21
Thereof changes in w/c	-29	-20	-10	5	39	-25	Total Liabilities	825	681	631	544	579	591
CF from Investments	-107	15	-53	-34	-14	-14	Minority Interest	0	0	0	0	0	1
Thereof CAPEX	-162	-53	-77	-54	-68	-74	Shareholders' Equity	876	861	839	758	744	797
Thereof Dividends Received	40	41	20	15	36	42	Total Liabilities and Equity	1,701	1,541	1,470	1,302	1,322	1,389
CF from Financing	-22	-93	-84	-16	-24	-24	Net debt	451	341	374	339	291	259
Thereof Dividends Paid	-52	-17	-66	0	0	0							
Thereof Proceeds From Loans	40	0	0	-16	-24	-24							
Cash Movement	-9	50	-33	4	24	8							



## Market overview, model changes

### Europe lagging behind expectations, due to the war, but also ongoing supply chain disruptions

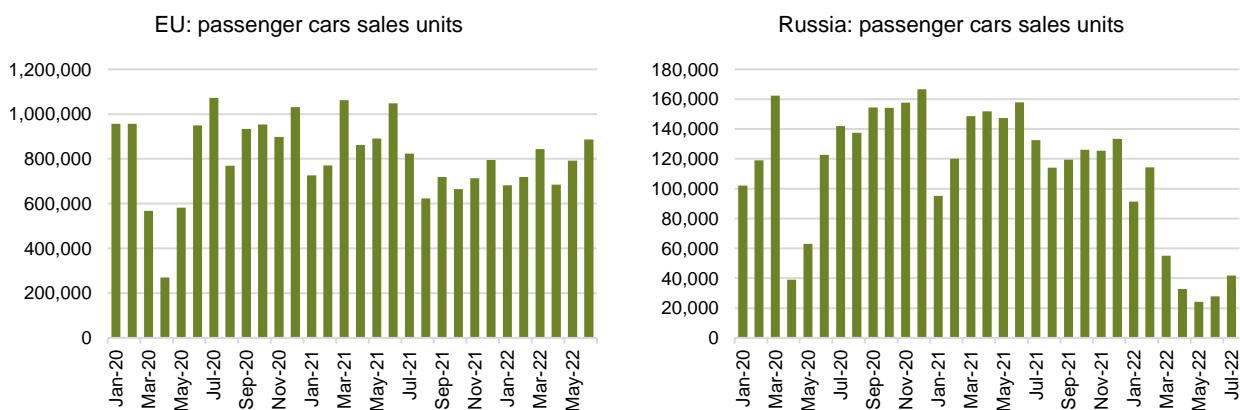
Since the COVID-19 outbreak, the automotive industry has been under the pressure. During 1H22, the number of passenger cars registered in the EU was at 4.6m, down 14% compared to the same period last year. In January and February 2022, volumes were relatively flat, down only 5% vs. the same period of 2021. However, then, the geopolitical tensions between Russia and Ukraine have resulted in disruptions in the automotive sector. From March 2022, volumes have fallen in a range of 10-20% compared to 2021. All of the major markets in the automotive sector have recorded a significant decline in the number of cars sold, including Germany (-11% yoy), France (-16% yoy), Spain (-11% yoy) and Italy (-23% yoy). The pandemic and the Russian-Ukraine war have affected the global supply chains. This has resulted in a slowdown in the production of passenger cars and closing the production lines and the company's revenue has closely followed these trends, falling 21% yoy in 1H22. McKinsey now expects the semiconductor shortages to last from three to five years – an issue expected previously to be solved last year already. The rise of commodity prices and growing inflation affects the demand for luxury goods, such as cars, but we still believe that the issue is mainly on the supply side and, even with a recession coming to Europe, demand for new passenger cars should remain strong, should supply allow it. Currently, the numbers show us a stagnating trend, but we expect, after inflation is pushed back to pre-pandemic levels and the chip issue is resolved, a slow, but steady recovery in the sector. This year, we model a 15% fall in AD Plastik's EU+Serbia revenue, followed by ongoing growth that would allow a normalised margin by 2024-25E. One of the positive side effects of the supply chain issues is the automakers' focus on highly profitable products – Renault's Romanian EAPS involved in Dacia production (a 50% equity investment of AD Plastik). We have hiked our estimates there and expect the company to keep supporting the group's bottom line, while distributing hefty dividends to AD Plastik, with revenues returning to pre COVID-19 levels in two years.

### Russian market fully disrupted by the war

In 8M22, with 420,000 newly-registered PCs in Russia, the market is down 61% ytd. As in the EU, the first two months of the year were stable, down only c.4-5%. After the start of the war, the numbers dropped dramatically compared to the previous year. The number of registered cars declined in a range of 60-85% in March, April, May and June, before showing some recovery in July and August.

The main reason is the production shutdown of all Western companies and some domestic manufacturers, as well as the withdrawal of some European companies from the Russian market. The ongoing problem with micro-processors and the overall disrupted supply chain make it hard for the local automotive industry to adjust to the current situation. Moreover, the surging inflation makes the cars more expensive, which is at the cost of lower demand from the customers' perspective. Based on our findings, the strategy ahead of AD Plastik's partners, mainly AutoVAZ, is still unclear, which makes modelling quite difficult, given the company's large pipeline there. We do not expect a positive EBITDA contribution from Russia this year but, over time, we do not underestimate the local market. While the consumer will, indeed, be weak for several years, the market should recover at some point, with new market players coming from Asia or the effects of sanctions fading. This year, we forecast a 70% yoy fall in revenues from Russia and model the country's revenue contribution to return to pre COVID-19 and pre-war levels by 2026E, back to c.25% of the group's revenue, up from our 12% estimate this year.

### EU and Russian PCs registrations



Source: Bloomberg, ACEA, WOOD Research

### Model changes

We are now more conservative in our revenue forecasts in Europe and Serbia, due to the ongoing issues affecting the global auto industry and the recession that we expect in the EU, but mainly in Russia, where western companies have stopped production, the strategy of the Russian partners remains unclear, to us, and we also expect the weak consumer situation and the effects of the sanctions to last for years. On top of this, we have revised down the profitability due to increased costs, and we do not expect the EBITDA margin to top 10% before 2025E. On the opposite side, we are more bullish in our EAPS forecasts vs. our previous estimates. We note that our 2022E EBITDA and net profit include the HRK 75m impairment in Russia recorded in the 2Q22 results.

### Changes in forecasts

HRK m	Old			New			Change (%, delta)		
	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E
Revenues	1,314	1,427	n.a.	795	954	1,156	-40%	-33%	n.m.
EBITDA	156	175	n.a.	-56	42	110	-212	-76%	n.m.
Net profit	61	79	n.a.	-82	-14	54	-143	-93	n.m.

Source: WOOD Research

## Valuation

We have reduced our 12M PT from HRK 176/share to HRK 88/share, implying 10% upside, and we maintain our HOLD recommendation on the stock. We use a SOTP valuation for AD Plastik and its 50% stake in the Euro APS (EAPS) JV, using a five-year DCF for both. Then, as a sanity check for the first approach, we use a peer valuation. We assign an 80% weight to the DCF SOTP and 20% to the peer valuation.

### Valuation summary

HRK m	HRK/share	Upside
DCF	93	17%
Peers EV/EBITDA	60	-19%
<b>Weighted average (80 DCF: 20 peers)</b>	<b>88</b>	<b>10%</b>

Source: WOOD Research

### DCF SOTP

Through our DCF analysis, we value the businesses consolidated under AD Plastik at HRK 20/share. To this, we add the equity value of EAPS, in which AD Plastik holds 50%, and which is booked as an equity investment. This adds HRK 69/share to our PT. After adjusting for the COE, we arrive at a 12M PT of HRK 93/share, or 17% upside.

### DCF: AD Plastik

Our assumptions are:

- ✓ A cost of equity of 18.0% (up from 14.9%), a beta of 1.4x (unchanged), RFR of 6.5% (up from 5%) and an equity risk premium (ERP) of 7% (unchanged).
- ✓ A cost of debt of 3.0-4.0% (up from 3.4%) and a tax rate of 18% (unchanged), to remain on the conservative side.
- ✓ This produces a WACC of 10.4-11.5% for our forecast period, up from 11.6-11.7%, previously, due mainly to the higher debt weight.
- ✓ We use a 1.5% terminal growth rate, and expect the Russian market to outperform the EU+Serbia region in the long term.

### DCF: AD Plastik

HRK 000s	2022E	2023E	2024E	2025E	2026E	2027E	2028E
<b>EBIT</b>	<b>-67,305</b>	<b>-41,293</b>	<b>24,449</b>	<b>56,371</b>	<b>66,298</b>	<b>74,981</b>	<b>77,167</b>
Taxes	-3,002	-1,823	-2,095	-8,196	-10,030	-11,672	-12,221
<b>NOPAT</b>	<b>-70,307</b>	<b>-43,116</b>	<b>22,354</b>	<b>48,175</b>	<b>56,268</b>	<b>63,309</b>	<b>64,946</b>
Depreciation	85,813	83,715	85,390	87,097	88,839	90,616	92,428
Change in net working capital	5,276	39,154	-24,673	-11,656	2,200	4,996	5,154
Capex	-53,668	-67,621	-74,383	-76,615	-78,913	-81,281	-83,719
<b>FCF</b>	<b>-43,437</b>	<b>-66,176</b>	<b>58,033</b>	<b>70,314</b>	<b>63,995</b>	<b>67,649</b>	<b>68,502</b>
Discount factor	0.91	0.81	0.73	0.66	0.59	0.52	0.46
<b>PV of FCF</b>	<b>-39,335</b>	<b>-53,848</b>	<b>42,329</b>	<b>46,393</b>	<b>37,619</b>	<b>35,251</b>	<b>31,472</b>
<b>Sum of NPV of FCF</b>	<b>99,880</b>						
Terminal growth rate		2.0%					
<b>Terminal value</b>	<b>358,467</b>						
<b>Enterprise Value</b>	<b>458,347</b>						
Net Debt, 2021A	373,603						
Minorities	0						
<b>Fair Value of Equity excluding EAPS</b>	<b>84,744</b>						
per share	20						
<b>Ent.Value of 50% stake in EAPS using FCF</b>	<b>288,456</b>						
EAPS value per share	69						
<b>Fair Value of Equity with JV</b>	<b>373,200</b>						
Fair Value of Equity Per Share	89						
<b>12M PT</b>	<b>93</b>						
<i>Upside potential</i>	<i>17%</i>						

Source: company data, WOOD Research

## WACC calculation: AD Plastik

	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Risk-free rate	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Beta	1.4	1.4	1.4	1.4	1.40	1.40	1.40
Equity risk premium	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
<b>Cost of equity</b>	<b>16.3%</b>	<b>16.3%</b>	<b>16.3%</b>	<b>16.3%</b>	<b>16.3%</b>	<b>16.3%</b>	<b>16.3%</b>
Cost of debt	3.5%	4.0%	4.0%	3.0%	3.0%	3.0%	3.0%
Tax rate	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%
<b>Effective cost of debt</b>	<b>2.9%</b>	<b>3.3%</b>	<b>3.3%</b>	<b>2.5%</b>	<b>2.5%</b>	<b>2.5%</b>	<b>2.5%</b>
Weight of debt	51.2%	49.5%	47.7%	45.8%	44.0%	42.1%	40.1%
Weight of equity	48.8%	50.5%	52.3%	54.2%	56.0%	57.9%	59.9%
<b>WACC</b>	<b>10.4%</b>	<b>10.9%</b>	<b>11.1%</b>	<b>11.0%</b>	<b>11.2%</b>	<b>11.5%</b>	<b>11.8%</b>

Source: WOOD Research

## DCF: EAPS business

EAPS is an important value driver for the whole group. The company is booked under equity investments, being consolidated by Faurecia. We use a DCF model to estimate the JV's value, which we then adjust for AD Plastik's 50% stake. We arrive at HRK 69/share for AD Plastik's 50% share in the company.

Our assumptions are:

- ✓ A cost of equity of 21.6% (up from 18.6% previously), using a RFR of 8% (up from 5%), an equity risk premium of 8% and a beta of 1.7x (unchanged).
- ✓ A cost of debt of 6% and a tax rate of 16%.
- ✓ This produces a WACC of 18.6%, up from 17.8%, for our forecast period, as EAPS has no debt.
- ✓ We use a 2% terminal growth rate.

## DCF: EAPS

HRK 000s	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Revenues	643,040	713,775	749,464	771,947	795,106	818,959	843,528
EBITDA	86,935	102,059	125,513	135,518	145,948	156,818	168,144
Profit	72,185	84,889	104,591	112,995	121,756	130,887	140,401
EBIT	<b>86,935</b>	<b>102,059</b>	<b>125,513</b>	<b>135,518</b>	<b>145,948</b>	<b>156,818</b>	<b>168,144</b>
Taxes	-13,750	-16,169	-19,922	-21,523	-21,523	-23,192	-24,931
NOPAT	<b>73,185</b>	<b>85,889</b>	<b>105,591</b>	<b>113,995</b>	<b>124,425</b>	<b>133,626</b>	<b>143,213</b>
Depr, Capex, Change in WC	-55,152	-26,569	-26,747	-26,860	-26,860	-26,976	-27,095
FCFF	<b>18,033</b>	<b>59,320</b>	<b>78,844</b>	<b>87,135</b>	<b>97,565</b>	<b>106,651</b>	<b>116,118</b>
	0.31	1.31	2.31	3.31	3.31	4.31	5.31
Discount factor	0.94	0.77	0.64	0.52	0.51	0.42	0.34
PV of FCFF	<b>16,965</b>	<b>45,893</b>	<b>50,162</b>	<b>45,590</b>	<b>49,680</b>	<b>44,296</b>	<b>39,338</b>
Sum of NPV of FCFF	<b>291,922</b>						
Terminal growth rate	2%						
Terminal value	<b>204,717</b>						
Net cash	80,000						
Equity value	<b>576,639</b>						
50% stake	288,319						
HRK per AD Plastik share	<b>69</b>						

Source: WOOD Research

## WACC calculation: EAPS

	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Risk-free rate	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Beta	1.70	1.70	1.70	1.70	1.70	1.70	1.70
Equity risk premium	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
<b>Cost of equity</b>	<b>21.6%</b>	<b>21.6%</b>	<b>21.6%</b>	<b>21.6%</b>	<b>21.6%</b>	<b>21.6%</b>	<b>21.6%</b>
Cost of debt	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Tax rate	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
<b>Effective cost of debt</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>
Weight of debt	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Weight of equity	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<b>WACC</b>	<b>21.6%</b>	<b>21.6%</b>	<b>21.6%</b>	<b>21.6%</b>	<b>21.6%</b>	<b>21.6%</b>	<b>21.6%</b>

Source: WOOD Research

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## Peer group comparisons

In our peer valuation, we exclude P/E for the time being, expecting AD Plastik to turn profitable on the bottom line in 2024E. Our 2022-24E EV/EBITDA, adjusted for the impairment in Russia this year, implies a 12M PT of HRK 65/share, offering 19% downside.

### EV/EBITDA

HRK m	2022E	2023E	2024E
Peer multiple	6.7	5.0	4.0
EBITDA	62	93	173
Net debt	299	251	219
<b>Equity value</b>	<b>115</b>	<b>219</b>	<b>480</b>
Average	271		
<b>HRK/sh</b>	<b>65</b>		
<i>Upside</i>	-19%		

Source: Bloomberg, WOOD Research



# Financials

## Income statement

HRK m	2018	2019	2020	2021	2022E	2023E	2024E
<b>Revenues</b>	<b>1,321</b>	<b>1,542</b>	<b>1,219</b>	<b>1,126</b>	<b>795</b>	<b>954</b>	<b>1,156</b>
Cost of raw materials	-663	-731	-603	-548	-420	-493	-586
Cost of goods sold	-103	-171	-62	-72	-48	-76	-69
<b>Gross profit</b>	<b>555</b>	<b>640</b>	<b>554</b>	<b>506</b>	<b>327</b>	<b>384</b>	<b>500</b>
Operating expenses	-393	-443	-388	-381	-383	-342	-391
<b>EBITDA</b>	<b>162</b>	<b>197</b>	<b>166</b>	<b>125</b>	<b>-56</b>	<b>42</b>	<b>110</b>
Depreciation	-91	-110	-97	-92	-86	-84	-85
<b>EBIT</b>	<b>71</b>	<b>87</b>	<b>69</b>	<b>34</b>	<b>-142</b>	<b>-41</b>	<b>24</b>
Profit from associates	50	41	20	15	36	42	52
Net financial income	-34	-14	-32	-1	27	-13	-12
Profit before tax	87	114	57	48	-79	-12	65
Taxes	3	-20	-10	-15	-3	-2	-11
<b>Net income</b>	<b>89</b>	<b>93</b>	<b>47</b>	<b>33</b>	<b>-82</b>	<b>-14</b>	<b>54</b>

Source: Company data, WOOD Research

## Balance sheet

HRK m	2018	2019	2020	2021	2022E	2023E	2024E
<b>Fixed assets</b>	<b>1,002</b>	<b>1,105</b>	<b>980</b>	<b>981</b>	<b>868</b>	<b>840</b>	<b>829</b>
Intangible assets	111	105	85	84	60	39	24
Property, plant and equipment	709	787	749	749	658	647	646
Investments in associates	92	93	72	68	71	75	81
Other	90	121	73	81	79	79	79
<b>Current assets</b>	<b>565</b>	<b>596</b>	<b>561</b>	<b>490</b>	<b>434</b>	<b>482</b>	<b>560</b>
Inventories	231	207	182	193	176	158	182
Trade receivables	219	270	268	233	184	172	199
Cash and cash equivalents	36	27	63	30	49	72	80
Other	79	92	49	33	25	80	98
<b>Total assets</b>	<b>1,567</b>	<b>1,701</b>	<b>1,541</b>	<b>1,470</b>	<b>1,302</b>	<b>1,322</b>	<b>1,389</b>
<b>Current liabilities</b>	<b>501</b>	<b>576</b>	<b>493</b>	<b>364</b>	<b>277</b>	<b>311</b>	<b>324</b>
Short-term borrowing	148	232	220	141	125	100	76
Payables	224	237	165	120	53	120	150
Other	129	106	107	103	100	91	97
<b>Long-term liabilities</b>	<b>1,064</b>	<b>1,075</b>	<b>869</b>	<b>899</b>	<b>812</b>	<b>846</b>	<b>859</b>
Long-term loans	278	238	180	247	247	247	247
Other long-term liabilities	4	12	8	21	21	21	21
<b>Total liabilities</b>	<b>783</b>	<b>825</b>	<b>681</b>	<b>631</b>	<b>544</b>	<b>579</b>	<b>591</b>
Minority interest	0	0	0	0	0	0	1
<b>Shareholders' equity</b>	<b>784</b>	<b>876</b>	<b>861</b>	<b>839</b>	<b>758</b>	<b>744</b>	<b>797</b>
<b>Total liabilities and equity</b>	<b>1,567</b>	<b>1,701</b>	<b>1,541</b>	<b>1,470</b>	<b>1,302</b>	<b>1,322</b>	<b>1,389</b>
<b>Net debt</b>	<b>389</b>	<b>451</b>	<b>341</b>	<b>374</b>	<b>339</b>	<b>291</b>	<b>259</b>

Source: Company data, WOOD Research

## Cash flow statement

HRK m	2018	2019	2020	2021	2022E	2023E	2024E
<b>Cash flow from operations</b>	<b>157</b>	<b>120</b>	<b>129</b>	<b>105</b>	<b>55</b>	<b>62</b>	<b>46</b>
o/w depreciation	91	110	97	92	86	84	85
o/w changes in w/c	33	-29	-20	-10	5	39	-25
<b>Cash flow from investments</b>	<b>-117</b>	<b>-107</b>	<b>15</b>	<b>-53</b>	<b>-34</b>	<b>-14</b>	<b>-14</b>
o/w capex	-115	-162	-53	-77	-54	-68	-74
o/w dividends received	54	40	41	20	15	36	42
<b>Cash flow from financing</b>	<b>-14</b>	<b>-22</b>	<b>-93</b>	<b>-84</b>	<b>-16</b>	<b>-24</b>	<b>-24</b>
o/w dividends paid	-41	-52	-17	-66	0	0	0
o/w net proceeds from loans	39	40	0	0	-16	-24	-24
Cash movements	26	-9	50	-33	4	24	8

Source: Company data, WOOD Research

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09/08/22	NLB Banka	Solid performance ytd, but price remains high	David Lojkasek, Alex Boulougouris
08/08/22	European Oil and Gas Monthly	July 2022	Jonathan Lamb, Ondrej Slama

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