

Masterplast (hereinafter the „Company”) – Q2 earnings

The sales increased slightly compared to the previous quarter, the EBITDA continued to grow. Despite a lower revenue level of around 10%, the Company's first half EBITDA profit reached EUR 2 million, compared to the EBITDA loss of EUR -2.5 million in the base period. However, at the net profit level, the company made a loss in the second quarter. Demand in the construction industry remained subdued in the first half of the year. The wait-and-see attitude can be generally felt throughout Europe, the negative effect of which is reflected more strongly in the weaker sales performance of thermal insulation materials, while the sales result was more favorable in the case of fiberglass and roof foil products, which can be delivered more efficiently. We confirm our 12-month target price at HUF 4036, we reiterate the buy recommendation for Masterplast shares.

Q2 RESULT

The total revenue of the Company amounted to EUR 34515 thousand in Q2 2024, which was 9% lower than in Q2 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 second quarter of 2024.

The personnel expenses of the Company increased by 14% compared to last year's base, despite the 22 people lower closing headcount (1 294). 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 Q2 2024 was a profit of EUR 1153 thousand. Taking depreciation into account, the operating result (EBIT) still showed a loss. The Group PAT (profit after tax) was EUR -1749 thousand in Q2 2024.

thousand EUR	Q2 2024	Q2 2023
Sales revenue	34515	37812
EBITDA	1153	-463
EBITDA ratio	3,3%	-
Profit after tax	-1749	-3475
Net income ratio	-	-

Source: Masterplast, MKB

SALES BY PRODUCT GROUP

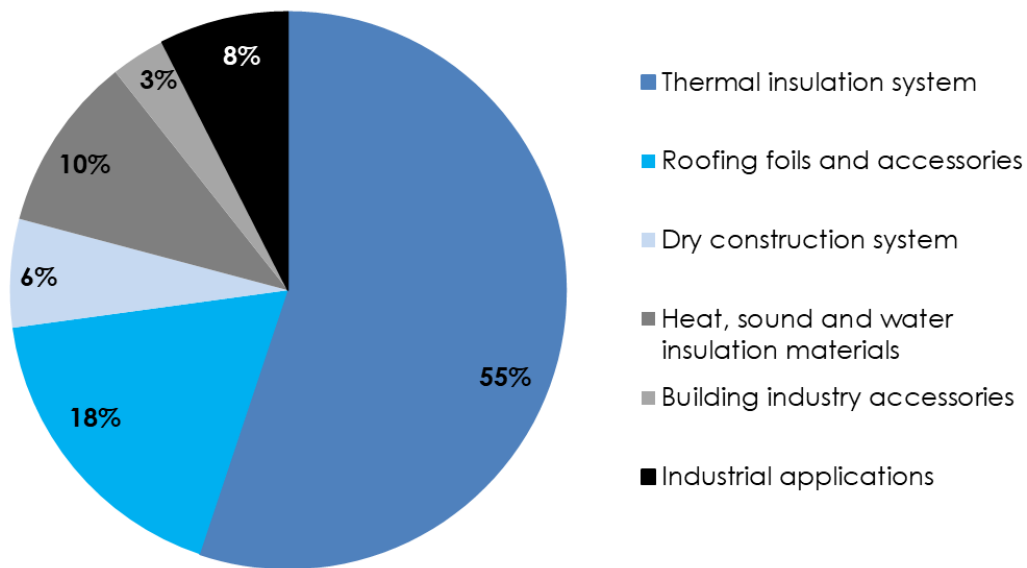
In terms of the revenue slate, **thermal insulation systems** provided the biggest share (55%): its sales decreased by 9% in the second quarter compared to the base period. The sales of EPS insulation materials have decreased significantly, as this product range is most affected by price competition.

Turnover of **Roofing foils and accessories** in Q2 2024 decreased by 2% than in the same period in 2023. The Company's recently launched diffusion roofing foils, manufactured in-house, performed well. According to the company, Thanks to the own production capacity, the Company is gaining better and better business opportunities in international markets.

In the **Industrial applications product group**, sales decreased by 12% in Q2 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 Q2 2024 by 28% compared to the base. In the **building industry accessories**, the sale of products decreased by 15% in the second quarter of 2024. In the **Heat, sound and water insulation materials** product group the sales increased by 2% in Q2 2024 compared to the same period in 2023.

Contribution of product groups in percentage to the total sales revenue



Source: Masterplast, MBH

SALES BY COUNTRIES

The Group has decreased its total sales by 9% in Q2 2024 compared to the Q2 2023 base period.

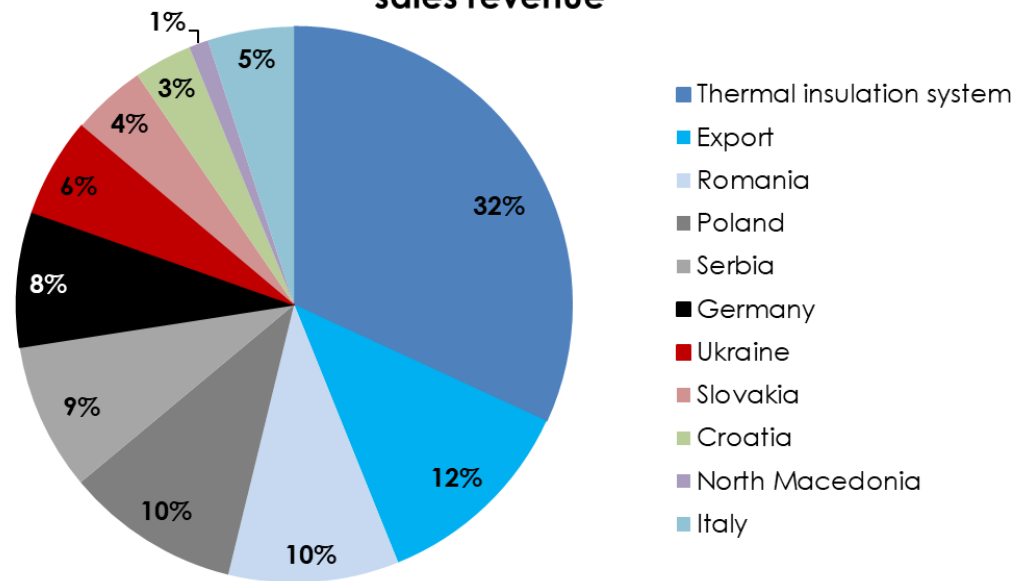
The breakdown of the sales by countries shows the revenue realized in countries where the Company has its own subsidiary, regardless of which subsidiary has registered the sales in the country. For countries where there is no Group subsidiary, sales are reported on the Export line.

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 the Company has its own subsidiary in the country.

On the most relevant **Hungarian** market the turnover decreased by 20% in Q2 2024 compared to the base period. Sales declined in all product groups.

In the **Export** market in Q2 2024, the turnover declined by 6% compared to the same period of the previous year. Sales in the **German** market decreased by 7% in the second quarter compared to the corresponding period last year.

Contribution of countries in percentage to the total sales revenue



Source: Masterplast, MBH

In **Italy**, sales decreased by 4% compared to the second quarter of last year, mainly due to sales of the thermal insulation systems product group.

On the key **Romanian** market, sales fell by 1% in Q2 2024 compared to the base period. In **Serbia**, sales increased by 19% in 2024 Q2.

On the **Croatian** market the Group sales decreased by 11% in Q2 2024 compared to the base term. On the **Polish** market the sales increased by 7% in Q2 2024 compared to the base. In the **Slovak** market, sales decreased by 6% in Q2 2024. In **Ukraine**, second-quarter sales decreased by 15% 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. Demand in the construction industry

remained subdued in the first half of the year, the wait-and-see attitude can be generally felt throughout Europe. In terms of the geographic distribution, the wait-and-see effect was more pronounced in the largest market, Hungary. The launch of the new home renovation programme in the Hungarian market in July is a significant business potential for the Company. The building energy focused support programmes, which are due to be launched across Europe in the foreseeable future, are expected to boost the Company's sales and profitability at a faster pace in the second half of the year.

The Company is expanding its capacity in the field of styrofoam-based thermal insulation, and from 2025, the Company 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.

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. By 2028, we expect a sales revenue of 382 million euros from the Company. 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 the Company's shares.

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6. Recommendations

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Discounted cash flow valuation

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Peer group valuation: For comparison we use peer group valuation. The analysis based on important indicators and multiples like P/E, EV/EBITDA, EV/EBIT, market capitalization, P/S, EBITDA margin, net debt to EBITDA, EBITDA growth, dividend yield and ROIC. If the industry justifies we may use other multiples. The peer group is compiled according to the companies' main business, with respect to the region (DM or EM market).

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