

## Masterplast Nyrt.

### UNDER REVIEW

One year target price: -



Thousand EUR	Q4 2024	Q4 2023	Y/Y
Revenue	33 250	31 489	5,6%
EBITDA	-1 286	-3 195	-
EBIT	-3 266	-4 952	-
Net profit	-1 852	-598	-

Price (03/04/2024)	HUF 2 620	Net profit (Q4 2024, Thousand EUR)	-1 852
Shares outstanding (thousand)	16 851	Bloomberg ticker	MASTERPLAST HB Equity
Free float	50%	BÉT ticker	MASTERPLAST
Market capitalization (million)	44 148	52 week min./max.	HUF 2 500-3 300

Source: BÉT, Bloomberg

## Masterplast Q4 earnings

- The sales increased slightly compared to the previous quarter, the company's Q4 2024 revenue increased slightly compared to the fourth quarter of the previous year. The company made a loss in both EBITDA and net profit, although the extent of the loss decreased significantly compared to the base. Considering the full-year EBITDA result of EUR 2,2 million, it can be stated that despite a 6% lower revenue level, the Company's profitability improved by EUR 8,4 million compared to 2023.
- However, at the net profit level, the company made a loss in the fourth quarter. 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 recently introduced heat, sound and waterproofing materials containing the own produced XPS.
- **We are reviewing our DCF model and will publish our updated model and target price later. The following parameters justify the revision of our target price:**
  - The company's 2024 numbers were weaker than we expected, so we are reviewing the expected results for the coming years.
  - The company announced a capital increase, we are also incorporating the impact of the capital increase into our model.
  - The company will hold its investor presentation in April, after which we will publish our updated model.

## Q4 result

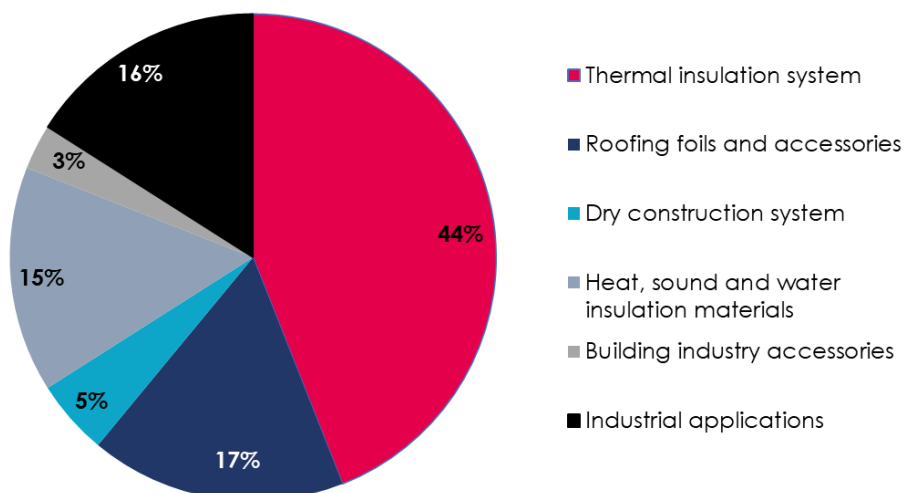
- The total revenue of the Company amounted to EUR 33 250 thousand in Q4 2024, which was 6% higher than in Q4 2023.
- In the organization adapted to demand conditions, the own production capacities operate more cost effectively. The profitability of the Serbian fiberglass factory has improved significantly compared to a year ago, turning last year's loss-making operation back into profit. The EPS factories operated at a lower capacity utilization, while the non-woven textile plants operated at a higher capacity utilization in the quarter.
- The personnel expenses of the Company increased by 12% compared to last year's base, the closing headcount (1 150) was 12 more than at the end of 2023.
- The Group's operating EBITDA in Q4 2024 was a loss of EUR 1 286 thousand. The depreciation increased mostly as a result of the recently launched XPS production unit. Taking depreciation into account, the operating result (EBIT) still showed a loss. The Group PAT (profit after tax) was EUR 1 852 thousand in Q4 2024. Exchange rate movements positively impacted the company's financial results.

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## Sales by product group

- In terms of the revenue slate, **thermal insulation systems** provided the biggest share, accounted for more than half of the sales revenue: its sales decreased by 8% in the fourth quarter compared to the base period. The turnover of self-produced fiberglass mesh decreased to a greater extent, but overall, none of the product ranges could increase in the quarter under review.
- Sales revenues in the **Roofing foils and accessories** product group closed at the same level as last quarter, and within this, the turnover of own-produced diffusion roofing foils increased.
- In the **Industrial applications product group**, sales increased by 49% in Q4 2024. The sale of the limited marketable property rights (so-called HEM) is also recorded here, which generated significant revenue for the product group.
- In the **dry construction system** the sales decreased in Q4 2024 by 27% compared to the base. In the **building industry accessories**, the sale of products decreased by 2% in the fourth quarter of 2024.
- In the **Heat, sound and water insulation** materials product group the sales increased by 73% in Q4 2024 compared to the same period in 2023. Masterplast's recently introduced self-produced XPS product achieved outstanding sales growth. Sales of glass and rock wool also improved.

### Contribution of product groups in percentage to the total sales revenue



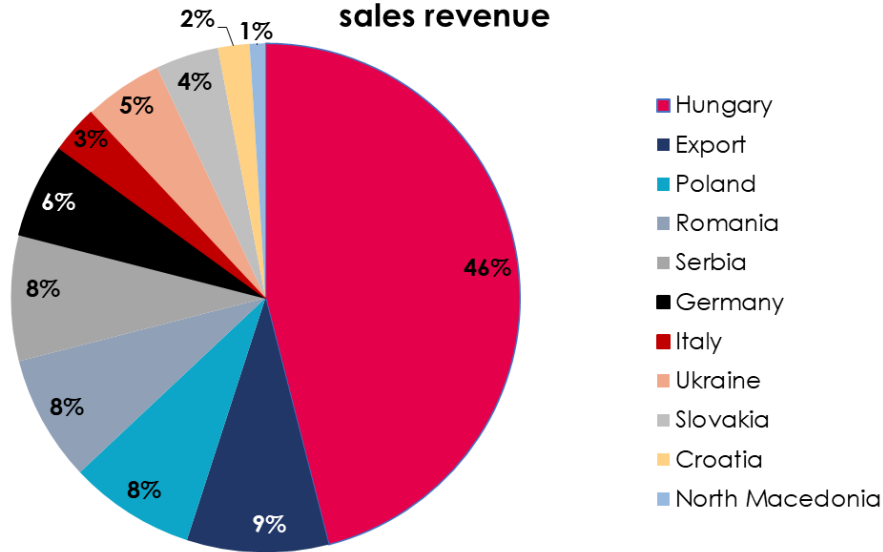
Source: Masterplast, MBH

## Sales by countries

The Group has increased its total sales by 6% in Q4 2024 compared to the Q4 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 increased by 26% in Q4 2024 compared to the base period. Fourth quarter was characterized by a wait-and-see attitude towards renovation programs in our country, but the economic performance improved by the end of the quarter, and after a weaker start, in December there was a strong housing market activity which seems to continue at the beginning of 2025.
- In the **Export** market in Q4 2024, the turnover declined by 10% compared to the same period of the previous year. Sales in the **German** market increased by 6% in the fourth compared to the corresponding period last year.
- In **Italy**, sales decreased by 40% compared to the fourth quarter of last year. On the key **Romanian** market, sales have stagnated in Q4 2024 compared to the base period. In **Serbia**, sales increased by 7% in 2024 Q4.
- On the **Croatian** market the Group sales decreased by 43% in Q4 2024 compared to the base term. On the **Polish** market the sales increased by 12% in Q4 2024 compared to the base, where sales of self-manufactured roofing membranes increased. In the **Slovak** market, sales decreased by 20% in Q4 2024. In **Ukraine**, fourth-quarter sales decreased by 11% compared to the base in 2023.

**Contribution of countries in percentage to the total sales revenue**



Source: Masterplast, MBH

## Comment

- 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 nine months 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. Also restrained the demand in 2024 the relaunched Rural Home Renovation Program in 2025, which could stimulate even greater demand by expanding the users' base. The launch of the new home renovation programme in the Hungarian market in July is a significant business potential for the Company. Also significantly improves the prospects for the construction sector in Hungary that 10 of the 21 points from the New Economic Policy Action Plan support the construction industry and the housing market. In several European countries, the introduction of new economic policy measures to stimulate housing construction and the stabilization of interest rates are only expected by 2025.
- Masterplast informs shareholders that on February 28, 2025, the company's board of directors decided to increase the company's share capital by private placement of new ordinary shares in return for cash contributions. The amount of the share capital increase is HUF 240 million, and in connection with this, 2.4 million new ordinary shares, with a nominal value of HUF 100 each and an issue value of HUF 2,500 each, will be issued in registered, dematerialized form. The issue value of the ordinary shares is HUF 2,500 per share, totaling HUF 6 billion. The part of the issue values per share above the nominal value – a total of HUF 5.76 billion – will increase the company's capital reserves. The management announced that the company will put most of the amount into capital reserves, and the smaller part will be used for developments, such as starting a glass wool factory. The ownership of the two founders will decrease to below 50 percent, but the majority will remain, along with the management's shareholding.
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- **The company announced a capital increase, we are also incorporating the impact of the capital increase into our model.**
- **The company will hold its investor presentation in April, after which we will publish our updated model.**

Close date of the research: 04 March 2025, 15:00

**Rácz Balázs**  
senior equity research

Investment Research

**MBH Befektetési Bank Zrt.**  
H-1056 Budapest, Váci utca 38.  
racz.balazs@mbhbank.hu  
mbhbefektetesibank.hu

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- **Overweight:** A rating of overweight means the stock's return is expected to be above the average return of the overall industry, or the index benchmark over the next 12 months.
- **Underweight:** A rating of underweight means the stock's return is expected to be below the average return of the overall industry, or the index benchmark over the next 12 months.
- **Equal-weight:** A rating of equal-weight means the stock's return is expected to be in line with the average return of the overall industry, or the index benchmark over the next 12 months.
- **Buy:** total return is expected to exceed 10% in the next 12 months.
- **Neutral:** Total return is expected to be in the range of -10 - +10% In the next 12 months.
- **Sell:** Total return is expected to be below -10% in the next 12 months.
- **Under review:** If new information comes to light, which is expected to change the valuation significantly.

## 7. Change from the prior research

Our target price is determined on a 12-month basis, without dividends, unless otherwise stated.

Our first research was published on 15. December 2017. In that Initial Coverage our price target was HUF 775. The changes in fundamental factors and the operation in the Company required regular updates of our model and the target price. We are updating our model, so we have put our current target price under review.

### Prior researches

MBH Bank wrote an initiation report on 15. December 2017. The research is available on the web page of the BSE (Budapest Stock Exchange):

<https://www.bet.hu/pfile/file?path=/site/Magyar/Dokumentumok/Tozsdetagoknak/Tozsdetagok-elemzesei/MKB-Bank-Masterplast-initiation-report-20171215.pdf>

The flash notes are available on the web page of the BSE (Budapest Stock Exchange):

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14. The valuation procedures used:

#### **Discounted cash flow valuation**

The discounted cash flow valuation is a method of valuing a company (or project, assets, business, etc.) with the time value of the money. The model forecasts the company's free cash flow (free cash flow to firm) and discounts it with the average cost of capital (WACC). The cash flow is simply the cash that is generated by a business and which can be distributed to investors. The free cash flow represents economic value, while accounting metric like net earning doesn't. The WACC represents the required rate of return by the investors. If a business is risky the required rate of return, the WACC will be higher.

**Discounted cash flow model (DCF):** We analyze the companies using five year forecast period and set a terminal value based on the entity's long term growth or on different exit multiples like EV/EBITDA or EV/EBIT. In certain cases the forecast period may differ from five years. In this case the analysts must define the reason for difference. The cash flows are discounted by the company's WACC unless otherwise specified.

In the first step we have to forecast the company's cash flow. The free cash flow to firm (FCFF) is based on the earnings before interest and taxes (EBIT), the tax rate, depreciation and amortization (D&A), net change in working capital (which is based on the current assets and current liabilities) and the capital expenditures (CAPEX). The model requires a terminal value which can be based on the long term growth or on an exit multiple like EV/EBITDA, or EV/EBIT. Forecasting the terminal value is a crucial point because in most cases it makes up more than 50% of the net present value.

**The discount rate (WACC):** The average cost of capital of the company is dependent on the industry, the risk free rate, tax, the cost of debt and the equity risk premium. The cost of equity is calculated by the CAPM model, where the independent variables are the risk free rate, the industry specific levered beta, and the equity risk premium. The WACC is dependent on the capital structure, so the forecast of the equity/debt mix is crucial.

At the end we get the enterprise value (EV). The EV is the market capitalization plus the total debt and preferred equity and minority interest, minus the company's cash. In the last step we have to reduce the EV with the net debt. This figures divided by the shares outstanding we arrive at the target share price.

The discounted cash flow model includes sensitivity analysis which takes the effects of the change in the WACC, the long term growth or the used exit multiples on which the terminal value is based.

Our target price is based on a 12 month basis, ex-dividend unless stated otherwise.

**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).

## A saját utunkat járjuk.

