

## Masterplast Nyrt.

BUY

One year target price: 3373



Thousand EUR	Q1 2025	Q1 2024	Y/Y
Revenue	33 451	32 655	2,4%
EBITDA	973	856	12,0%
EBIT	-835	-838	-
Net profit	-2 194	53	-

Price (07/09/2025)	HUF 2 650	Net profit (Q1 2025, Thousand EUR)	-2 194
Shares outstanding (thousand)	19 250	Bloomberg ticker	MASTERPLAST HB Equity
Free float	40%	BÉT ticker	MASTERPLAST
Market capitalization (million)	52 554	52 week min./max.	HUF 2 210-3 090

Source: BÉT, Bloomberg

## Summary

- The company held its investor day at the end of April. The most important message is that management does not provide numerical profit expectations for the 2025-2027 period, the company is focusing more on creating flexible operations, but management identified several breakout points and market opportunities.
- Due to the capital increase and the weakening growth outlook, we have also reviewed and updated our DCF model. We have reduced our revenue and profit forecasts for the period 2025-2029 and have also taken the increasing number of shares into account when calculating our target price. We decreased our 12-month target price to HUF 3373, we reiterate the buy recommendation for Masterplast shares.
- The construction industry - including the new housing and renovation market - is weak both abroad and at home, but we expect the industry to pick up from next year. This is an essential condition for Masterplast's numbers to start improving, and the revival of the construction industry can be helped by state renovation programs. In many countries, the insulation of housing stock is poor, which imposes increasing costs on the population due to rising energy prices. The growing demand for insulation materials continues to represent great potential for Masterplast.
- Masterplast has had numerous investments in recent times (XPS factory, EPS capacity expansion, glass wool factory), and the company has also improved efficiency in several areas.

## Capital increase

- The company's share capital increase was completed on March 4th. The share capital increase amounted to HUF 240 million, and 2.4 million new registered, dematerialized ordinary shares were issued, each with a nominal value of HUF 100 and an issue value of HUF 2,500. The issue value of the ordinary shares was HUF 2,500 per share, for a total of HUF 6 billion. The total number of issued shares increased by 14 percent, and the joint ownership of Balázs Ács and Dávid Tibor decreased to 43.77 percent from the previous 50 percent + 1 share. The company said it needed the capital injection to consolidate financial stability, as well as the funds to complete existing investments and ramp up production capacities.
- The capital increase also affects the share price: the ownership share of existing shareholders decreases, which has a negative impact on the share price. In addition, during the DCF model update, we also reduced the sales and profit forecast for the coming years, which also meant a decrease in equity value. The decreasing equity value and the increase in the number of shares by 2.4 million means a decrease in the target price.

## Difficult years

- According to the company, there has been a slight recovery in the construction industry, but this has not yet resulted in a significant increase in demand for Masterplast. The company continued to focus on efficient operations, which ensured sustainable, profitable operations (at EBITDA level) even in subdued market conditions and with lower capacity utilization. Due to unfavourable exchange rate movements, the company closed the first quarter of 2025 with a loss of EUR 2 194 thousand in after-tax profit.
- In 2024, the company had to be reorganized in difficult market conditions and its financial management had to be stabilized. The reduction of operating costs was successfully completed, in the last quarter the company laid off 10 percent of its staff, but this year it can be successful even with lower capacity utilization. Masterplast fulfilled its bond payment obligations, the financial situation has stabilized, and according to the company's management, efficiency, sustainability and flexibility are the goals in 2025.
- Primarily due to the sales of the HEM, the company's Q1 2025 revenue increased slightly compared to the first quarter of the previous year. The company made a loss in both EBIT and net profit, as a result of reorganisations and other efficiency-improving measures, EBITDA increased by 14%.
- In recent years, the company has significantly expanded its thermal insulation material production capacities, and the glass wool factory is also about to be launched. Based on the latest quarterly figures, Masterplast's capacity utilization is currently low, but still believe that the EU energy targets guarantee significant market potential in both the renovation and new construction segments.

## Investor day

- The company held its investor day at the end of April. The most important message is that management does not provide numerical profit expectations for the 2025-2027 period, the company is focusing more on creating flexible operations, but management identified several breakout points and market opportunities.

- The forecasts given in the past were completely off, first over- and then under-fulfilled by the company in 2020-2022. Therefore, the company is focusing more on how to increase internal flexibility. As a manufacturing company, it is a big challenge to maintain the ability to operate efficiently with low demand, but to be able to react quickly if the market surges. Efficient inventory and cash flow management, working capital and exposures are also being continuously examined and reviewed.
- In recent years, the company has significantly expanded its thermal insulation material production capacities, and the glass wool factory is also about to be launched. Based on the latest quarterly figures, Masterplast's capacity utilization is currently low, but we still believe that the EU energy targets guarantee significant market potential in both the renovation and new construction segments.

## Growing construction industry

- Rising energy prices have led to a pick-up in insulation works in the construction segment in several countries, and the demand side is also being boosted by government subsidies in many markets. In order to achieve its climate protection goals, the European Union provides significant financial resources for building energy renovation programs, which, together with stricter energy regulations and high energy prices, will result in increasing demand for the Company's products in the longer term. The newly built buildings are already made with adequate insulation, and the insulation used during renovations in recent years can also be said to be effective, but with regards to the entire building stock, the proportion of those with adequate insulation is still low. Actually, at least the owners of buildings with level „BB” have only a chance to keep their consumption below the level supported by the overhead reduction.
- Although there has been a slight recovery in the construction industry this year, no significant increase in demand has been experienced in Masterplast's markets so far. However, thanks to HEM sales, the company achieved revenue growth in the first quarter, with revenue jumping by more than 30 percent in the Hungarian market. At the same time, the first signs of recovery are already visible in the residential segment. The booming housing market has given developers a boost, and according to Masterplast, based on feedback from the company's partners, the turnover of structural building materials has also picked up in building material stores. Although with a delay, this is usually followed by an increase in turnover of the product categories distributed by the company.
- The European market as a whole remains subdued, especially in the area of industrial and public investments, but as we wrote earlier, the first signs of recovery can already be seen in the residential segment. Real estate developers have already responded to the recovering housing market, and this is expected to be reflected in the insulation materials market from 2026. In addition, in Hungary, the simplified Home Renovation Program, the Rural Home Renovation Program, the tightening of the EKR Act, and the EU energy targets (EPBD) are also putting the thermal insulation materials market on an even faster growth path.

## DCF model update

- **We decreased our 12-month target price to HUF 3373, we reiterate the buy recommendation for Masterplast shares.**
- The share price was calculated in HUF, with 19.25 million shares and EURHUF at 405. In the DCF model, we have already calculated the number of 2.4 million new ordinary shares issued as part of the share capital increase.

- For calculating the target price, we used our own EUR/HUF, and 10 year Hungarian government bond yields forecast, which are available on [this](#) website.

DCF Model (EURmn)					
	2025	2026	2027	2028	2029
Sales	198 587	234 225	290 356	325 198	356 501
Sales growth	30,65%	17,95%	23,96%	12,00%	9,63%
EBIT	-1 155	3 456	11 720	18 438	24 043
EBIT margin	-0,58%	1,48%	4,04%	5,67%	6,74%
Tax rate	15,0%	15,0%	15,0%	15,0%	15,0%
Taxes on EBIT	173	-518	-1758	-2766	-3606
<b>NOPLAT</b>	<b>-982</b>	<b>2 938</b>	<b>9 962</b>	<b>15 672</b>	<b>20 436</b>
<b>Free Cash flow to the Firm</b>	<b>4 466</b>	<b>9 001</b>	<b>20 133</b>	<b>22 256</b>	<b>26 803</b>
<b>WACC</b>	<b>12,24%</b>	<b>11,69%</b>	<b>11,23%</b>	<b>11,23%</b>	<b>11,23%</b>
Discount factor	0,89	0,80	0,72	0,64	0,58
Discounted free cash flow	3 979	7 181	14 439	14 351	187 323
<b>Enterprise value</b>	<b>227 273</b>				
Net debt	64 629				
<b>Equity value</b>	<b>162 644</b>				
Number of shares outstanding (mn)	19 251				
Cost of equity	18,66%				
<b>Fair value per share (EUR, HUF)</b>	<b>7,02</b>	<b>2 843</b>			
<b>12M target price (EUR, HUF)</b>	<b>8,33</b>	<b>3 373</b>			

Source: Masterplast, MBH

## Risks

- In our model, we calculated that the demand for construction products will stabilize from next year. This can be helped by increasing lending due to interest rate cuts by central banks, as well as state subsidies for home renovations at the European level. The lack of interest rate cuts and the lack of state renovation programs represent a growth risk for the company. Masterplast is prepared for this expansion and can scale its production capacities to effectively meet the increased demand. The company's new investments also contribute to this, whether it is the XPS factory, the expansion of EPS capacity, or the glass wool factory.
- In the absence of expanded domestic and foreign government incentives, it is uncertain whether the construction industry will pick up in the short term. The construction industry recovery would be key to seeing growth in Masterplast's revenue and profit figures.
- In addition, the company may soon enter new markets (mineral wool). Many uncertainties are faced when determining the future growth rate of the mineral wool business. (For example, does the company succeed in

creating a stable customer base, how long does it take for stable demand for new products to develop). Entering new markets always carries more risk than expanding existing markets.

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- **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 decreased our 12-month target price to HUF 3373, we reiterate the buy recommendation for Masterplast shares.

### 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.

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