DOM MAKLERSKI BANKU OCHRONY ŚRODOWISKA S.A.

This report is prepared for the Warsaw Stock Exchange SA within the framework of the Analytical Coverage Support Program 3.0.

642/2022/AR

Company	LT fundamental recommendation	12M EFV (PLN)	ST market-relative bias	Analyst
Unimot	**Buy**	**95.0**	**Overweight**	Łukasz Prokopiuk, CFA

Event: 3Q22 results revealed; Adjusted EBITDA close to the preliminary figures published earlier.

The Company revealed its quarterly consolidated 3Q22 results on Wednesday late after the session.

Consolidated figures. The Company's reported EBITDA amounted to PLN 62.0 million. This figure is impacted by one-time effects at a sum of PLN -60.9 million in addition to other operating income at a value of PLN -1.3 million. The mentioned one-time effects include (i) PLN -64.4 million of timing effects in the ON+Bio segment and (ii) PLN 3.5 million of cost transfers in the natural gas segment. **Ultimately, the Company's adjusted EBITDA (as calculated by us) after excluding these items amounted to PLN 124.2 million vs. PLN 95.0 million expected by us initially (and vs. PLN 124 million indicated in the preliminary figures previously and PLN 120.7 million of final adjusted EBITDA calculated by management for the quarter).**

The difference in our adjusted EBITDA and the management adjusted EBITDA lies in other operating income and different calculation of depreciation. The Company's reported net income amounted to PLN 41.1 million, while the adjusted net income, as calculated by us amounted to PLN 92.0 million.

Results of segment. The Company's ON/bio segment delivered adjusted EBITDA of PLN 122.3 million vs. PLN 90.0 million expected by us initially. The Company's LPG segment recorded adjusted EBITDA of PLN 16.4 million vs. PLN 15.0 million expected by us. The natural gas segment's adjusted EBITDA amounted to PLN 1.5 million vs. PLN 0.0 million expected by us. The electric energy segment delivered an adjusted EBITDA of PLN 5.4 million vs. PLN -3.0 million expected by us. The results of the photovoltaic segment with adjusted EBITDA at PLN -1.7 million (vs. PLN -1.0 million expected by us).

The Company mentioned that the quarterly results had been particularly impacted by the war in Ukraine, and by the resultant instability of energy markets caused by introduction of sanctions on Belarus and Russia. The Company also mentions very high sale volumes generated on diesel, petrol and LPG products and logistical constraints that limited the utilization of market opportunities. Furthermore, The Company generated PLN 23 million on the sale of obligatory reserves (vs. PLN 25 million expected by us and vs. PLN 30 million declared by the Company to be generated in 2H22).

Cash flow. The Company's 3Q22 operating cash flow amounted to PLN 49 million vs. PLN -81 million recognised a year ago. The cumulative operating cash flow for 1-3Q22 amounts to as much as PLN 182 million (vs. PLN -146 million delivered a year ago). The strong drop in inventories has been confirmed in the quarter (a drop in inventories of PLN -153 million this year). The operating cash flow is negatively affected by a significant increase in trade receivables (of PLN -449 million recognised this year) – a figure which is likely to partly reverse in the next quarters, in our view.

Net debt. The Company's net debt at the end of the quarter amounted to PLN 228 million vs. PLN 337 million recognised a year ago. We were hoping for a greater decrease in net debt in the quarter. There are chances for a drop in trade receivables and a significant drop in net debt in the next quarters.

Unimot; 3Q22 results compared to expectations

IFRS, consolidated (PLN m)	3Q22A	3Q22E (DM BOŚ)	Preliminary 3Q22A	3Q22A vs. expectations (BOŚ's/Preliminary figures)
Sales	3 814.4	3 479.4	3 786.0	↑/→
EBITDA	62.0	65.0	61.0	↑/→
EBIT	58.4	61.6	n.a.	→/-
Net income	41.1	47.5	n.a.	→/-
Adj EBITDA	**124.2**	**65.0**	**124.0**	↑/→
Adj EBIT	**120.6**	**61.6**	**n.a.**	↑/-
Adj net income	**92.0**	**47.5**	**n.a.**	↑/-

Source: Company, PAP, DM BOŚ SA estimates

Unimot; 3Q22 operating performance review

IFRS consolidated PLN m	3Q22A	2Q22A	3Q21A	qoq chng.	yoy chng.
Sales	**3 814.4**	**3 517.7**	**2 081.2**	**8%**	**83%**
ON + biofuels	3 035.3	2 804.6	1 659.3	8%	83%
LPG	304.5	273.2	168.4	11%	81%
Natural gas	128.1	152.5	90.5	-16%	42%
Electric energy	174.8	103.8	56.1	69%	212%
Photovoltaics	1.2	1.3	4.7	-9%	-75%
Retail stations	116.7	139.3	68.8	-16%	70%
Other	53.8	43.1	33.5	25%	60%
COGS (ex. gross margin one-offs)	-3 575.4	-3 330.6	-2 011.4	7%	78%
Adj gross profit	**239.1**	**187.1**	**69.8**	**28%**	**243%**
Distribution and G&A costs	-118.5	-120.5	-60.7	-2%	95%
D&A elimination	3.7	3.6	3.0	-	-
Adjusted EBITDA	**124.2**	**70.2**	**12.0**	**77%**	**932%**
Adj EBITDA (ON + biofuels)	122.3	59.1	13.1	107%	831%
Adj EBITDA (LPG)	16.4	24.2	7.7	-32%	113%
Adj EBITDA (Natural gas)	1.5	6.1	0.6	-76%	148%
Adj EBITDA (Electric energy)	5.4	1.8	-3.7	200%	n.m.
Adj EBITDA (Photovoltaics)	-1.7	-1.2	-0.7	n.m.	n.m.
Adj EBITDA (Retail stations)	0.8	0.5	1.9	57%	-57%
Adj EBITDA (Other)	-20.5	-20.4	-6.9	n.m.	n.m.
Other operating items	-1.3	4.5	0.1	-	-
Inventory valuation effects	-64.4	0.0	2.1	-	-
NCW/NCR timing transfers	0.0	-2.2	-2.8	-	-
Gas timing transfers	3.5	-3.5	-0.7	-	-
Other transfers	0.0	-0.9	0.5	-	-
EBITDA	**62.0**	**68.1**	**11.3**	**-9%**	**449%**
D&A	-3.7	-3.6	-3.0	3%	23%
EBIT	**58.4**	**64.6**	**8.3**	**-10%**	**602%**
Net financial costs	-7.0	-5.2	-2.3	-	-
Other	0.0	0.0	0.0	-	-
Pre-tax	**51.3**	**59.3**	**6.1**	**-14%**	**747%**
Tax expense	-10.3	-14.3	-2.0	-	-
Minority interest	0.0	0.0	0.0	-	-
Net income	**41.1**	**45.0**	**4.0**	**-9%**	**922%**

Source: Company

Expected impact: *Positive. Not only because the results are record high, but also because the drop in inventories has been confirmed. Although the quarterly operating cash flow could have been stronger in the quarter we think there is a chance for a significant drop in trade receivables in the nest quarters. The earnings outlook for 4Q22 remains very good and we expect the finalization of the purchase of Lotos and Orlen bitumen and logistics assets, which may be a big chance for further growth for the Company. In our view, the risk of SPO is low given the relatively good balance sheet. Because of the scale of the positive earnings surprise in 3Q22 we will most probably once again upgrade our financial forecasts for the Company.*