

# Geotrans S.A.



Price target: PLN 18.40

Update

Rating: BUY

**2021 has so far been a very difficult year for Geotrans S.A. (GTS). Due to mainly a slower decision-making process at public administration following the coronavirus pandemic in H1/12 the company generated 44.8% lower revenues y-o-y and a significantly weaker operating and net margin. Another reason was wet and relatively cold weather in Q1/21, which made the work with heavy machines on landfills impossible. As public administration is still working slowly, which limits the waste processing capacity of GTS, we are skeptical whether the company will be able to significantly improve results in H2/21. Since the end of December 2020, the number of announced new contracts fell by 72.8% y-o-y to PLN 8m. Our new 12-months PT (70% DCF, 30% peer group) for the stock is PLN 18.40 (previously: PLN 22.20). However, due to an upside of 59.1% our BUY rating remains unchanged. We would like to emphasize that despite current weakness the Polish waste management sector remains highly promising in the long run and with net cash of c. PLN 13.6m GTS is well equipped to benefit from it. As main risk, we regard administrative penalties, which according to Polish law can put a waste management company out of business if they exceed in total PLN 150k (so far, GTS has received four penalties worth PLN 26k, thereof PLN 25k are not yet legally binding).**

**While Geotrans' results in H1/21 were weak, the market environment for waste management companies in Poland remains positive and will likely remain so in this decade, mainly due to the EU "Green Deal".** Regarding the company's results in 2021E, we now forecast revenues of PLN 22.9m (-49.9% y-o-y; previously: PLN 34.6m), EBIT of PLN 3m (-82.6%; prev. PLN 7.3m) and net income of PLN 2.3m (-83.3%; prev. PLN 5.8m). For next year, we expect 8.7% higher sales y-o-y of PLN 24.9m (prev. PLN 37.7m), 72.4% higher EBIT (PLN 5.1m vs. prev. PLN 10.9m) and 76.5% higher net income (PLN 4m vs. PLN 8.7m previously). While 2022E should also be muted for the company due to a low volume of new contracts this year, from 2023E its business should return to normal. In general, Geotrans has a very lean business model with little fixed costs, which allows it to quickly improve profitability in-line with growing revenues.

in PLNm	2019	2020	2021E	2022E	2023E	2024E
Net sales	28.39	45.70	22.90	24.90	28.33	31.60
EBITDA	9.06	17.36	3.31	5.57	7.96	8.17
EBIT	8.90	17.14	2.97	5.13	7.48	7.64
Net income	7.05	13.69	2.29	4.04	5.95	6.09
EPS	1.41	2.74	0.46	0.81	1.19	1.22
DPS	0.80	0.00	0.00	0.40	0.60	0.61
Dividend yield	6.92%	0.00%	0.00%	3.50%	5.15%	5.27%
RoE	101.10%	98.71%	12.47%	19.24%	23.82%	21.36%
Net gearing	-48.14%	-67.53%	-64.50%	-40.12%	-20.77%	-9.28%
EV/Sales	1.56x	0.97x	1.93x	1.78x	1.56x	1.40x
EV/EBITDA	4.88x	2.55x	13.34x	7.94x	5.55x	5.41x
P/E	8.20x	4.22x	25.23x	14.30x	9.71x	9.49x

## Company profile

Geotrans offers waste management and recultivation. It also sells by-products of incineration. Geotrans's business model is asset-light as it only uses equipment and installations of third parties.

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Website	www.geotrans.com.pl
Sector	Environmental Services
Country	Poland
ISIN	PLGEOTR00010
Reuters	GTS.WA
Bloomberg	GTS PW

## Share information

Last price	11.56
Number of shares (m)	5.00
Market cap. (PLNm)	57.80
Market cap. (EURm)	12.65
52-weeks range	PLN 33.60 / PLN 9.79
Average volume	12,054

## Performance

4-weeks	-9.12%
13-weeks	-24.15%
26-weeks	-46.97%
52-weeks	-62.22%
YTD	-51.83%

## Shareholder structure

Eco Ventures Sp. z o.o.*	38.05%
Own shares	0.60%
Free float	61.35%

\* owned by the CEO

## Financial calendar

Q3/21 report	November 4, 2021
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## Analyst

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## H1/21 results

### Revenues and profitability

In H1/21, Geotrans' revenues reached PLN 13.1m, which corresponds to a y-o-y decline of 44.8%. The main reason was a slower decision-making process at Polish public administration due to COVID-19. We believe that the revenues in Jan-Jun 2021 mainly stemmed from contracts, which were acquired in 2020, and the company processed waste based on administrative limits from 2019. Between December 2020 and the end of June 2021, the volume of new announced contracts reached PLN 5.3m (-61.6% y-o-y) and PLN 8m (-72.8% y-o-y) in 30/12/2020-12/08/2021.

in PLNm	H1/21	H1/20	change (%)
<b>Net sales</b>	<b>13.12</b>	<b>23.78</b>	-44.8%
<b>EBITDA</b>	<b>1.59</b>	<b>11.28</b>	-85.9%
<i>EBITDA margin</i>	<i>12.1%</i>	<i>47.5%</i>	
<b>EBIT</b>	<b>1.45</b>	<b>11.18</b>	-87.1%
<i>EBIT margin</i>	<i>11.0%</i>	<i>47.0%</i>	
<b>Net income</b>	<b>1.27</b>	<b>9.00</b>	-85.9%
<i>Net margin</i>	<i>9.7%</i>	<i>37.9%</i>	

Source: Company information, East Value Research GmbH

EBIT (-87.1% y-o-y to PLN 1.5m) and net income (-85.9% to PLN 1.3m) declined even more than revenues especially due to a much higher share of CoGS (78.3% vs. 49.4% in H1/20) and personnel costs (8.4% vs. 3%). At the end of June 2021, Geotrans had 13.5 full-time employees plus 3 based on civil contracts compared to 13 full-time staff and 5 civil contracts as of 30/06/2020.

### Balance sheet and Cash flow

At the end of June 2021, Geotrans had equity of PLN 20.1m, which corresponds to an equity ratio of 91.8%. Fixed assets equalled PLN 2.3m compared to PLN 1.6m at the end of H1/20 (comprise e.g. land but not machines; all work which requires the use of machines or heavy equipment is outsourced to sub-contractors). Working capital amounted to PLN 2.5m (H1/20: PLN 6.9m), according to our calculation. On 30 June 2021, Geotrans had cash of PLN 14.1m and we estimate its interest-bearing debt at c. PLN 500k. There were neither intangible assets nor goodwill on its balance sheet.

Between January and June 2021, Geotrans generated an operating cash flow of PLN 1.6m compared to PLN 5.4m in H1/20. The main reason was a significantly lower net profit y-o-y. Cash flow from investing reached PLN -271k (H1/20: PLN -345k), while cash flow from financing amounted to PLN -168k (PLN -4.1m). In H1/20, the company paid out a dividend for 2019 (PLN 4m). Between January and June 2021, Geotrans' cash position increased by PLN 1.1m, despite much lower profitability y-o-y and no additional debt.

## Our forecasts

### Revenues and profitability

Given the volume of announced contracts between December 2020 and August 2021 as well as the slow work of public administration due to the coronavirus pandemic, we are cautious whether Geotrans will be able to significantly improve results in H2/21 and in 2022E. We have thus lowered our estimates for 2021E and beyond again. Nevertheless, the Polish waste management sector remains highly attractive, especially due to the EU "Green Deal", which among others obliges EU countries to increase their share of recycled (not dumped) waste to c. 90% by 2030E (in Poland, the share currently equals c. 58%).

Below are our detailed estimates for Geotrans' business segments:

*Waste Management:* In 2020, we believe that GTS' market share in Poland increased to 2.2% (286,532 t) from 1.5% (193,000 t) in the previous year. The volume of the total market for municipal waste reached 13m tons vs. 12.8m in 2019 and we expect it to grow by 5% y-o-y on average by 2029E. Regarding GTS' market share, due to the COVID-19 pandemic and the failed capital raise in Q4/20 we believe that it will grow to 2.4% in the long run.

When it comes to the Marshall Fee, which grew at a CAGR of 42.1% in 2017-2021 and like the EU "Green Deal" strongly supports the business of Polish waste management companies, we forecast that it will grow by 5% on average in the coming years.

Regarding sales of GTS' Waste Management segment, we now estimate that they will decline by 52.3% y-o-y to PLN 17.5m in 2021E (previously: PLN 26.5m) and grow to PLN 19.3m (PLN 29.4m) in 2022E. The EBIT margin should reach 13.6% (previously: 23.6%) in 2021E and <14% (<20%) in the long run. The reasons are the likely growing competition in Poland and increasing wages.

*Sale of by-products of incineration:* In this segment, we sum up Geotrans' sales of by-products of coal incineration e.g. ash, cast and cinder.

We now expect that this segment will generate 40% lower revenues y-o-y of PLN 5.4m (previously: PLN 8.1m) in 2021E and PLN 5.6m (PLN 8.3m) of sales in 2022E. Regarding EBIT margin, we expect it to reach 11% (previously: 13%) this year and 12-13% in the long run.

in PLNm	2021E	2022E	2023E	2024E
<b>Waste Management</b>	<b>17.50</b>	<b>19.28</b>	<b>22.27</b>	<b>25.24</b>
(% of sales)	76.4%	77.4%	78.6%	79.8%
EBIT margin	13.6%	22.8%	29.9%	26.9%
Total volume of communal waste (t)	5,849,245	6,083,215	6,630,705	7,094,854
Market share of Geotrans	2.2%	2.2%	2.3%	2.3%
Average price per tonne	135	141	148	156
<b>Sale of by-products of incineration</b>	<b>5.40</b>	<b>5.62</b>	<b>6.07</b>	<b>6.37</b>
(% of sales)	23.6%	22.6%	21.4%	20.2%
EBIT margin	11.0%	13.0%	13.5%	13.3%
Volume sold (t)	146,942	152,820	165,046	173,298
Average price per tonne	37	37	37	37
<b>Total net sales</b>	<b>22.90</b>	<b>24.90</b>	<b>28.33</b>	<b>31.60</b>
(change y-o-y)	-49.9%	8.7%	13.8%	11.6%

Source: East Value Research GmbH

	2021E		2022E		2023E		2024E	
in PLNm	new	old	new	old	new	old	new	old
<b>Net sales</b>	<b>22.90</b>	<b>34.56</b>	<b>24.90</b>	<b>37.74</b>	<b>28.33</b>	<b>41.26</b>	<b>31.60</b>	<b>45.14</b>
<b>EBITDA</b>	<b>3.31</b>	<b>7.64</b>	<b>5.57</b>	<b>11.37</b>	<b>7.96</b>	<b>11.54</b>	<b>8.17</b>	<b>11.63</b>
<i>EBITDA margin</i>	14.5%	22.1%	22.4%	30.1%	28.1%	28.0%	25.8%	25.8%
<b>EBIT</b>	<b>2.97</b>	<b>7.30</b>	<b>5.13</b>	<b>10.93</b>	<b>7.48</b>	<b>11.06</b>	<b>7.64</b>	<b>11.09</b>
<i>EBIT margin</i>	13.0%	21.1%	20.6%	29.0%	26.4%	26.8%	24.2%	24.6%
<b>Net income</b>	<b>2.29</b>	<b>5.79</b>	<b>4.04</b>	<b>8.74</b>	<b>5.95</b>	<b>8.85</b>	<b>6.09</b>	<b>8.89</b>
<i>Net margin</i>	10.0%	16.8%	16.2%	23.2%	21.0%	21.4%	19.3%	19.7%

Source: East Value Research GmbH

in PLNm	Q1/18	Q2/18	Q3/18	Q4/18	2018	Q1/19	Q2/19	Q3/19	Q4/19	2019
<b>Net sales</b>	<b>3.94</b>	<b>3.28</b>	<b>3.03</b>	<b>4.34</b>	<b>14.60</b>	<b>5.92</b>	<b>6.16</b>	<b>7.68</b>	<b>8.63</b>	<b>28.39</b>
<i>y-o-y change</i>	-12.2%	6.8%	-4.2%	23.9%	2.6%	50.3%	87.9%	153.2%	98.6%	94.5%
<b>EBITDA</b>	<b>0.74</b>	<b>0.64</b>	<b>0.42</b>	<b>-0.89</b>	<b>0.91</b>	<b>1.42</b>	<b>2.03</b>	<b>2.98</b>	<b>2.63</b>	<b>9.06</b>
<i>EBITDA margin</i>	18.8%	19.6%	13.9%	-20.5%	6.3%	23.9%	32.9%	38.8%	30.4%	31.9%
<b>EBIT</b>	<b>0.71</b>	<b>0.62</b>	<b>0.40</b>	<b>-0.93</b>	<b>0.80</b>	<b>1.38</b>	<b>1.99</b>	<b>2.94</b>	<b>2.59</b>	<b>8.90</b>
<i>EBIT margin</i>	18.1%	18.9%	13.1%	-21.4%	5.5%	23.3%	32.3%	38.3%	30.0%	31.3%
<b>Net income</b>	<b>0.53</b>	<b>0.46</b>	<b>0.32</b>	<b>-1.10</b>	<b>0.21</b>	<b>1.07</b>	<b>1.57</b>	<b>2.28</b>	<b>2.13</b>	<b>7.05</b>
<i>Net margin</i>	13.5%	13.9%	10.5%	-25.2%	1.5%	18.1%	25.4%	29.7%	24.7%	24.8%

in PLNm	Q1/20	Q2/20	Q3/20	Q4/20	2020	Q1/21	Q2/21
<b>Net sales</b>	<b>10.15</b>	<b>13.63</b>	<b>11.55</b>	<b>10.38</b>	<b>45.70</b>	<b>7.65</b>	<b>5.47</b>
<i>y-o-y change</i>	71.5%	121.1%	50.3%	20.3%	61.0%	-24.6%	-59.8%
<b>EBITDA</b>	<b>4.39</b>	<b>6.89</b>	<b>4.61</b>	<b>1.47</b>	<b>17.36</b>	<b>1.09</b>	<b>0.50</b>
<i>EBITDA margin</i>	43.3%	50.6%	39.9%	14.2%	38.0%	14.2%	9.2%
<b>EBIT</b>	<b>4.34</b>	<b>6.84</b>	<b>4.55</b>	<b>1.41</b>	<b>17.14</b>	<b>1.01</b>	<b>0.43</b>
<i>EBIT margin</i>	42.8%	50.2%	39.4%	13.6%	37.5%	13.3%	7.9%
<b>Net income</b>	<b>3.48</b>	<b>5.52</b>	<b>3.68</b>	<b>1.01</b>	<b>13.69</b>	<b>0.94</b>	<b>0.33</b>
<i>Net margin</i>	34.3%	40.5%	31.9%	9.8%	30.0%	12.3%	6.0%

Source: Company information, East Value Research GmbH

**CAPEX and Working capital**

We now believe that Geotrans will mostly use own funds to finance investments in new capacity. Due to a net cash position of PLN 13.6m (23.5% of current market cap), positive EBITDA and operating cash flow it should also not have any problems to raise debt. Nevertheless, due to the pandemic we now expect that gross CAPEX in 2021E will equal PLN 1.5m (previously: PLN 30m), especially due to expenses relating to a first 1 MW photovoltaic project on recultivated land that GTS plans to conduct through the newly founded subsidiary Geosun Sp. z.o.o (GTS has a 50% stake in it, 50% belongs to its largest shareholder Eco Ventures). In 2022E-2023E, we believe that the company's gross CAPEX will reach PLN 10.5m and PLN 5.5m respectively (previously: PLN 5.5m). In the long run, gross CAPEX-to-sales should equal 1.3% (0.6%) of yearly sales.

Regarding working capital, we forecast that it will equal 12%-13% of yearly sales going forward after 6.2% in 2020. In the future, the cash conversion cycle should reach 30 days compared to c. 13 days in 2020.

## Valuation

We have valued Geotrans by using a weighted average of a DCF model (70%) and peer group (30%). Our model accounts for the remaining 30k own shares. Our approach derives a 12-months PT of PLN 18.40 (previously: PLN 22.10), which implies an upside of 59.1% at present. We continue to rate the stock a BUY.

### DCF model

Below are the key assumptions of our DCF valuation:

- (1) *Risk-free rate*: Current yield of Polish long-term government bonds with maturity in 2047E is 2.22% (Source: [www.boerse-stuttgart.de](http://www.boerse-stuttgart.de))
- (2) *Beta*: Average unlevered beta in 2018-2021 for companies from the Environmental & Waste Services sector, which are based in Emerging Markets, is 1.16x (Source: [www.damodaran.com](http://www.damodaran.com))
- (3) *Levered Beta*: 1.39x
- (4) *Target equity ratio*: 80%
- (5) *Levered beta*: 1.39x
- (6) *Equity risk premium (Poland)*: 5.54% (Source: [www.damodaran.com](http://www.damodaran.com))
- (7) *Costs of equity*: 9.9%
- (8) *After-tax cost of debt*: 3.2%
- (9) *WACC*: 8.6%
- (10) *Sales growth in the terminal period*: 2%
- (11) Free cash flows are discounted to 17 August 2021

in PLNm	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
<b>Net sales</b>	<b>22.90</b>	<b>24.90</b>	<b>28.33</b>	<b>31.60</b>	<b>35.13</b>	<b>38.50</b>	<b>42.23</b>	<b>46.36</b>	<b>50.93</b>
(y-o-y change)	-49.9%	8.7%	13.8%	11.6%	11.2%	9.6%	9.7%	9.8%	9.9%
<b>Operating profit</b>	<b>2.97</b>	<b>5.13</b>	<b>7.48</b>	<b>7.64</b>	<b>7.69</b>	<b>7.51</b>	<b>7.20</b>	<b>6.74</b>	<b>6.01</b>
(operating margin)	13.0%	20.6%	26.4%	24.2%	21.9%	19.5%	17.1%	14.5%	11.8%
<b>NOPLAT</b>	<b>2.41</b>	<b>4.15</b>	<b>6.06</b>	<b>6.19</b>	<b>6.23</b>	<b>6.08</b>	<b>5.83</b>	<b>5.46</b>	<b>4.87</b>
+ Depreciation & amortisation	0.34	0.44	0.48	0.53	0.56	0.59	0.62	0.65	0.68
= Net operating cash flow	2.75	4.59	6.54	6.72	6.79	6.67	6.45	6.11	5.55
- Total investments (Capex and WC)	-1.36	-7.48	-8.05	-6.45	-1.33	-1.09	-1.22	-1.39	-1.55
Capital expenditures	-1.54	-10.44	-5.48	-5.53	-0.56	-0.59	-0.62	-0.65	-0.68
Working capital	0.18	2.96	-2.56	-0.91	-0.77	-0.50	-0.60	-0.75	-0.87
= Free cash flow (FCF)	1.39	-2.89	-1.51	0.27	5.46	5.59	5.23	4.71	3.99
<b>PV of FCFs</b>	<b>1.34</b>	<b>-2.58</b>	<b>-1.24</b>	<b>0.21</b>	<b>3.81</b>	<b>3.58</b>	<b>3.09</b>	<b>2.56</b>	<b>2.00</b>
PV of FCFs in explicit period	12.78								
PV of FCFs in terminal period	36.18								
<b>Enterprise value (EV)</b>	<b>48.96</b>								
+ Net cash / - net debt (30 June 2021)	13.60								
+ Investments / - minorities	0.00								
<b>Shareholder value</b>	<b>62.56</b>								
<b>Number of shares excl. own stock (m)</b>	<b>4.97</b>								
						<b>Terminal EBIT margin</b>			
						<b>8.8%</b>	<b>9.8%</b>	<b>10.8%</b>	<b>11.8%</b>
<b>WACC</b>	<b>8.6%</b>	<b>4.6%</b>	<b>5.6%</b>	<b>6.6%</b>	<b>7.6%</b>	<b>8.6%</b>	<b>9.6%</b>	<b>10.6%</b>	<b>11.6%</b>
Cost of equity	9.9%	26.75	19.81	15.88	13.35	11.58	10.28	9.27	8.48
Pre-tax cost of debt	4.0%	29.17	21.43	17.05	14.24	12.28	10.84	9.73	8.86
Normal tax rate	19.0%	31.59	23.04	18.22	15.12	12.97	11.40	10.19	9.24
After-tax cost of debt	3.2%	34.01	24.66	19.39	16.01	13.67	11.96	10.65	9.62
Share of equity	80.0%	36.43	26.27	20.55	16.90	14.37	12.52	11.11	10.01
Share of debt	20.0%	38.85	27.89	21.72	17.79	15.07	13.08	11.57	10.39
<b>Fair value per share in PLN</b>	<b>12.59</b>	<b>41.27</b>	<b>29.50</b>	<b>22.89</b>	<b>18.67</b>	<b>15.76</b>	<b>13.64</b>	<b>12.03</b>	<b>10.77</b>
<b>Fair value per share in PLN (in 12 months)</b>	<b>13.67</b>								

Source: East Value Research GmbH

## Peer Group Analysis

We have compared Geotrans to three Polish and four international providers of waste management and environmental services. Below is a list:

- (1) *MO-BRUK S.A.*: MO-BRUK, which is based in Korzenna, is a Polish leader in the area of utilisation of industrial waste. In 2020, it generated revenues of PLN 178.5m.
- (2) *Grupa RECYKL S.A.*: Grupa RECYKL, which is headquartered in Srem, mainly operates in the area of utilisation of tires. In 2020, the company's revenues equalled PLN 67m.
- (3) *Krynicki Recykling S.A.*: Krynicki Recykling, which is based in Olsztyn, acquires, processes and resells cullet. Apart from Poland, it is also active in Baltic countries. In 2020, the company generated total sales of PLN 98.1m.
- (4) *Casella Waste Systems Inc.*: Through its core operations in Massachusetts, Maine, New Hampshire, New York, Vermont and Pennsylvania, Casella, which is based in Rutland/US, provides a vast array of waste and recycling services to customers in over 40 US states. In 2020, the company generated revenues of USD 774.6m.
- (5) *GFL Environmental Inc.*: GFL Environmental Inc., which is headquartered in Vaughan/Canada, offers non-hazardous solid waste management, infrastructure and soil remediation, as well as liquid waste management services. It targets municipal, residential, commercial and industrial customers. In 2020, the company had revenues of CAD 4.2bn.
- (6) *Waste Management Inc.*: Waste Management, which is based in Houston/US, provides waste management environmental services to residential, commercial, industrial, and municipal customers in North America. Apart from collection and transport of both non-hazardous and toxic waste, it owns, develops and operates landfill gas-to-energy facilities in the United States, as well as transfer stations. The company also provides e.g. materials processing; commodities recycling and brokerage services; construction and remediation services; services related to the disposal of fly ash and residue generated from the combustion of coal and other fuel stocks. In 2020, Waste Management generated revenues of USD 15.2bn.
- (7) *US Ecology Inc.*: US Ecology, which is headquartered in Boise/US, provides environmental services to commercial and government entities in the United States, Canada, Europe, the Middle East, Africa and Mexico. It operates through two segments: Environmental Services (e.g. recycling, treatment, and disposal of hazardous, non-hazardous, E&P, and radioactive waste) and Field & Industrial Services (e.g. industrial cleaning and maintenance, remediation, waste characterization, transportation and disposal of non-hazardous and hazardous waste). In 2020, US Ecology generated revenues of USD 933.9m.

Company	EV/Sales			EV/EBITDA			P/BVPS	EBITDA margin	Net gearing
	2020	2021E	2022E	2020	2021E	2022E	Latest	Last FY	Latest
MO-BRUK S.A. (PLN)	6.97x	5.68x	5.16x	12.01x	9.72x	9.14x	6.89x	58.04%	-36.78%
Grupa RECYKL S.A. (PLN)	2.13x	n.a	n.a	7.92x	n.a	n.a	2.52x	26.91%	140.35%
Krynicki Recyng S.A. (PLN)	4.51x	3.89x	3.46x	14.99x	8.86x	8.39x	3.47x	30.07%	47.53%
Casella Waste Systems Inc. (USD)	5.20x	4.75x	4.35x	25.72x	20.72x	18.59x	9.20x	20.20%	115.78%
GFL Environmental Inc. (USD)	5.06x	4.02x	3.57x	22.27x	15.01x	13.10x	2.70x	22.71%	121.73%
Waste Management Inc. (USD)	5.06x	4.37x	4.15x	17.93x	15.11x	14.24x	8.70x	28.25%	178.13%
US Ecology Inc. (USD)	2.06x	2.00x	1.88x	12.27x	11.48x	9.80x	1.91x	16.83%	125.75%
<b>Median</b>	<b>5.06x</b>	<b>4.19x</b>	<b>3.86x</b>	<b>14.99x</b>	<b>13.25x</b>	<b>11.45x</b>	<b>3.47x</b>	<b>26.91%</b>	<b>121.73%</b>
Geotrans S.A. (PLN)	0.96x	1.91x	1.76x	2.53x	13.24x	7.88x	2.86x	37.99%	-67.75%
<b>Premium/Discount</b>	<b>-81.0%</b>	<b>-54.3%</b>	<b>-54.4%</b>	<b>-83.2%</b>	<b>-0.1%</b>	<b>-31.2%</b>	<b>-17.4%</b>		
<b>Fair value per share Geotrans (PLN)</b>	<b>27.09</b>								

Source: CapitalIQ, East Value Research GmbH

### Price target calculation

Valuation method	Fair value	Weight
DCF model	12.59	70%
Peer-group-based fair value	27.09	30%
<b>Weighted average (present value)</b>	<b>16.94</b>	
<b>In 12-months (PV * (1+WACC))</b>	<b>18.40</b>	

Source: East Value Research GmbH



## Profit and loss statement

in PLNm	2019	2020	2021E	2022E	2023E	2024E
<b>Revenues</b>	<b>28.39</b>	<b>45.70</b>	<b>22.90</b>	<b>24.90</b>	<b>28.33</b>	<b>31.60</b>
Cost of goods sold	-17.47	-26.55	-17.20	-16.58	-17.17	-19.78
<b>Gross profit</b>	<b>10.93</b>	<b>19.15</b>	<b>5.70</b>	<b>8.32</b>	<b>11.16</b>	<b>11.82</b>
Other operating income	0.02	0.07	0.07	0.07	0.07	0.07
Personnel costs	-1.20	-1.49	-2.06	-2.32	-2.72	-3.13
Other operating expenses	-0.70	-0.37	-0.40	-0.50	-0.55	-0.60
<b>EBITDA</b>	<b>9.06</b>	<b>17.36</b>	<b>3.31</b>	<b>5.57</b>	<b>7.96</b>	<b>8.17</b>
Depreciation	-0.16	-0.23	-0.34	-0.44	-0.48	-0.53
<b>Operating income</b>	<b>8.90</b>	<b>17.14</b>	<b>2.97</b>	<b>5.13</b>	<b>7.48</b>	<b>7.64</b>
Net financial result	-0.13	-0.16	-0.15	-0.14	-0.13	-0.12
<b>EBT</b>	<b>8.77</b>	<b>16.98</b>	<b>2.83</b>	<b>4.99</b>	<b>7.35</b>	<b>7.52</b>
Income taxes	-1.72	-3.28	-0.54	-0.95	-1.40	-1.43
<b>Net income / loss</b>	<b>7.05</b>	<b>13.69</b>	<b>2.29</b>	<b>4.04</b>	<b>5.95</b>	<b>6.09</b>
EPS	1.41	2.74	0.46	0.81	1.19	1.22
DPS	0.80	0.00	0.00	0.40	0.60	0.61
<b>Share in total sales</b>						
Revenues	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Cost of goods sold	-61.52 %	-58.10 %	-75.10 %	-66.60 %	-60.60 %	-62.60 %
Gross profit	38.48 %	41.90 %	24.90 %	33.40 %	39.40 %	37.40 %
Other operating income	0.08 %	0.15 %	0.30 %	0.28 %	0.25 %	0.23 %
Personnel costs	-4.21 %	-3.26 %	-9.00 %	-9.30 %	-9.60 %	-9.90 %
Other operating expenses	-2.45 %	-0.80 %	-1.73 %	-2.02 %	-1.95 %	-1.88 %
EBITDA	31.90 %	37.99 %	14.47 %	22.36 %	28.10 %	25.85 %
Depreciation	-0.56 %	-0.49 %	-1.48 %	-1.77 %	-1.71 %	-1.68 %
Operating income	31.34 %	37.49 %	12.99 %	20.59 %	26.39 %	24.16 %
Net financial result	-0.45 %	-0.34 %	-0.64 %	-0.55 %	-0.45 %	-0.37 %
EBT	30.89 %	37.15 %	12.35 %	20.04 %	25.94 %	23.79 %
Income taxes	-6.06 %	-7.19 %	-2.35 %	-3.81 %	-4.93 %	-4.52 %
Net income / loss	24.83 %	29.96 %	10.00 %	16.23 %	21.01 %	19.27 %

## Balance Sheet

in PLNm	2019	2020*	2021E	2022E	2023E	2024E
Cash and equivalents	5.55	12.66	12.74	9.74	6.10	3.29
Short-term financial assets	0.10	0.01	0.01	0.02	0.02	0.02
Inventories	0.00	0.00	0.01	0.01	0.01	0.01
Trade accounts and notes receivables	4.88	4.68	3.90	4.22	4.79	5.31
Other current assets	1.22	0.75	2.27	0.41	0.46	0.52
<b>Current assets, total</b>	<b>11.76</b>	<b>18.10</b>	<b>18.94</b>	<b>14.39</b>	<b>11.37</b>	<b>9.15</b>
Property, plant and equipment	1.69	2.39	3.60	13.60	18.60	23.60
Other intangible assets	0.00	0.00	0.00	0.00	0.00	0.00
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00
Other long-term assets	0.00	0.47	0.49	0.50	0.51	0.52
Deferred tax assets	0.08	0.11	0.00	0.00	0.00	0.00
<b>Non-current assets, total</b>	<b>1.77</b>	<b>2.97</b>	<b>4.09</b>	<b>14.10</b>	<b>19.11</b>	<b>24.12</b>
<b>Total assets</b>	<b>13.53</b>	<b>21.08</b>	<b>23.03</b>	<b>28.49</b>	<b>30.48</b>	<b>33.27</b>
Trade payables	2.48	2.42	3.45	4.86	2.90	2.56
Other short-term liabilities	0.31	0.18	0.09	0.10	0.11	0.13
Short-term financial debt	0.25	0.24	0.00	0.00	0.00	0.00
Pension provision	0.00	0.00	0.00	0.00	0.00	0.00
Provisions	0.01	0.02	0.01	0.01	0.01	0.02
<b>Current liabilities, total</b>	<b>3.05</b>	<b>2.86</b>	<b>3.55</b>	<b>4.97</b>	<b>3.02</b>	<b>2.70</b>
Long-term financial debt	0.49	0.44	0.50	0.50	0.50	0.50
Pension provision	0.00	0.00	0.00	0.00	0.00	0.00
Other long-term liabilities	0.00	0.00	0.00	0.00	0.00	0.00
Deferred tax liabilities	0.00	0.03	0.00	0.00	0.00	0.00
<b>Long-term liabilities, total</b>	<b>0.49</b>	<b>0.47</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>
<b>Total liabilities</b>	<b>3.53</b>	<b>3.33</b>	<b>4.05</b>	<b>5.47</b>	<b>3.52</b>	<b>3.20</b>
<b>Shareholders equity, total</b>	<b>10.00</b>	<b>17.75</b>	<b>18.98</b>	<b>23.02</b>	<b>26.96</b>	<b>30.07</b>
Minority interests	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total equity and debt</b>	<b>13.53</b>	<b>21.08</b>	<b>23.03</b>	<b>28.49</b>	<b>30.48</b>	<b>33.27</b>

\* While GTS, which uses Polish Accounting Standards, showed PLN 1.94m of own shares under assets, we have included them in equity

## Cash Flow Statement

in PLNm	2019	2020	2021E	2022E	2023E	2024E
Net income / loss	7.05	13.69	2.29	4.04	5.95	6.09
Depreciation	0.16	0.23	0.34	0.44	0.48	0.53
Change of working capital	-0.53	0.40	0.18	2.96	-2.56	-0.91
Others	0.04	0.10	-0.07	0.00	0.00	0.00
<b>Net operating cash flow</b>	<b>6.72</b>	<b>14.42</b>	<b>2.74</b>	<b>7.44</b>	<b>3.87</b>	<b>5.71</b>
<b>Cash flow from investing</b>	<b>-0.05</b>	<b>-1.04</b>	<b>-1.54</b>	<b>-10.44</b>	<b>-5.48</b>	<b>-5.53</b>
Free cash flow	6.68	13.38	1.19	-3.00	-1.61	0.18
<b>Cash flow from financing</b>	<b>-1.71</b>	<b>-6.27</b>	<b>-1.11</b>	<b>-0.01</b>	<b>-2.03</b>	<b>-2.98</b>
Change of cash	4.97	7.11	0.08	-3.01	-3.64	-2.81
Cash at the beginning of the period	0.58	5.55	12.66	12.74	9.74	6.10
Cash at the end of the period	5.55	12.66	12.74	9.74	6.10	3.29

## Financial ratios

	2019	2020	2021E	2022E	2023E	2024E
<b>Profitability and balance sheet quality</b>						
Gross margin	38.48%	41.90%	24.90%	33.40%	39.40%	37.40%
EBITDA margin	31.90%	37.99%	14.47%	22.36%	28.10%	25.85%
EBIT margin	31.34%	37.49%	12.99%	20.59%	26.39%	24.16%
Net margin	24.83%	29.96%	10.00%	16.23%	21.01%	19.27%
Return on equity (ROE)	101.10%	98.71%	12.47%	19.24%	23.82%	21.36%
Return on assets (ROA)	53.04%	65.71%	10.58%	14.67%	19.95%	18.66%
Return on capital employed (ROCE)	68.21%	75.88%	12.37%	17.65%	22.06%	20.23%
Economic Value Added (in PLNm)	6.25	12.25	0.73	2.13	3.69	3.55
Net debt (in PLNm)	-4.81	-11.99	-12.24	-9.24	-5.60	-2.79
Net gearing	-48.14%	-67.53%	-64.50%	-40.12%	-20.77%	-9.28%
Equity ratio	73.88%	84.21%	82.43%	80.81%	88.44%	90.39%
Current ratio	3.86	6.32	5.34	2.90	3.76	3.39
Quick ratio	3.46	6.06	4.70	2.81	3.60	3.20
Net interest cover	-70.04	-109.30	-20.26	-37.48	-58.97	-65.39
Net debt/EBITDA	-0.53	-0.69	-3.70	-1.66	-0.70	-0.34
Tangible BVPS	2.00	3.55	3.80	4.60	5.39	6.01
Capex/Sales	0.66%	2.03%	6.74%	41.93%	19.36%	17.51%
Working capital/Sales	11.70%	6.18%	11.55%	-1.27%	7.93%	10.00%
Cash Conversion Cycle (in days)	11	4	-10	-5	0	5
<b>Trading multiples</b>						
EV/Sales	1.56	0.97	1.93	1.78	1.56	1.40
EV/EBITDA	4.88	2.55	13.34	7.94	5.55	5.41
EV/EBIT	4.97	2.58	14.86	8.62	5.91	5.79
P/Tangible BVPS	5.78	3.26	3.04	2.51	2.14	1.92
P/E	8.20	4.22	25.23	14.30	9.71	9.49
P/FCF	8.65	4.32	48.39	-19.27	-35.89	329.54

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