TRIGON

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Research

CEE | Equity Research

Grupa Kęty

When carefree optimism meets valuation...

Since we resumed our coverage of Grupa Kęty in December last year, the stock price has risen by over 40% and the Company has enjoyed a hefty re-rating, which, in our view, was long overdue. Over the past 12 months, the company has defied the odds. Despite increasingly challenging structural headwinds, KTY has not only withstood market pressure and improved its earnings but is also poised to overdeliver on its FY25E guidance, which, after publication, was considered borderline too ambitious amid the deteriorating demand for aluminium extrusions in both Poland and the CEE region.

However, we argue that the market has become overly optimistic about KTY's short-term earnings trajectory, particularly with regard to extrusions. Following >10% yoy EBITDA contraction in FY25E, we believe that investors have already priced in a substantial rebound in both volumes and margins next year. With the company set to publish its FY26E guidance in mid-December, we are becoming increasingly concerned that even the most ambitious of the MB's targets won't meet market expectations. In our view, the current risk/reward ratio is no longer attractive, especially since Kęty is trading at a historical premium to its international peers.

Despite its attractive mid- and long-term prospects, we are turning neutral on KTY and downgrading our rating to HOLD. Based on our estimates, the Company is trading at a 21% premium to its 10-year P/E 1Y FWD average.

Extrusion margins rebound already priced in? With Norsk Hydro reiterating its lukewarm short-term stance on the extrusion segment, we believe that a substantial and higher-than-anticipated rebound in KTY's EBITDA/t in the Extruded Products segment is becoming increasingly unlikely. Limited visibility in the construction and automotive industries, coupled with PL market consolidation, means we are considering different scenarios for the earnings trajectory of the Extruded Products Segment in FY26E. In our base case scenario, we anticipate an 8% increase in volumes, with a 10% yoy rebound in EBITDA/t. These assumptions translate into 19% yoy EBITDA growth in the EP segment alone, and into 13% yoy growth at group level. The question remains as to whether our estimates are too optimistic, especially given the recent comments of the MB.

3Q25 Results Review + conf call highlights. We found latest earnings neutral, with Aluminium Systems Segment remaining the only growth drive in the Group. Following MB comments during conf call, we turn more cautious on short-term market demand prospects, which could directly inhibit EBITDA rebound for the Extruded Products Segment. Please see page 6 for more detailed description.

Valuation. Our valuation of Kęty Group is based 100% on the DCF model - we assume an RFR of 5.5% and a market premium of 5.0%. For the residual period, we assume 4% revenue growth and an EBITDA margin of 17.3% (vs. 18.7% in FY25E). Our assumptions imply a 12-month target price of PLN 1,050. The dividend model returns a valuation of PLN 1,260, while the comparative valuation is PLN 913. Based on our forecasts, Kęty Group, despite its less attractive FCF generation profile, is trading at a double-digit premium in FY25-27E to the peer group.

Risk factors. See detailed description at page 12.

PLNm	2022	2023	2024	2025E	2026E	2027E
Revenues	5,931	5,219	5,144	5,566	6,459	7,040
EBITDA	1,031	868	932	1,043	1,188	1,282
EBIT	865	687	721	803	942	1,015
Net profit	678	539	560	586	684	755
EPS (PLN)	70.3	55.9	57.6	59.7	69.7	76.9
P/E (x)	13.5	17.0	16.5	15.9	13.6	12.3
EV/EBITDA (x)	9.9	11.6	11.5	10.3	9.2	8.6
FCFF Yield (%)	4.1%	8.2%	0.3%	6.4%	3.9%	5.0%
DY (%)	5.5%	6.6%	5.8%	5.9%	5.4%	6.3%

Source: Company, Trigon

Hold

(Previous: Buy; PLN 1030)

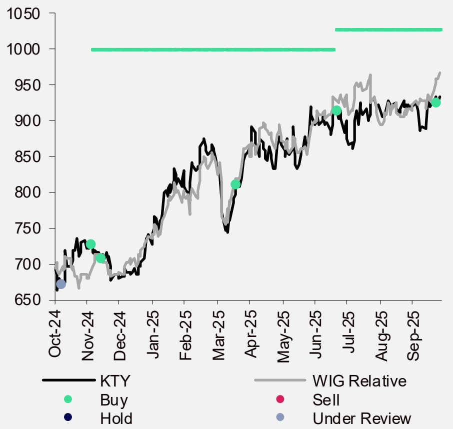
Target Price: 1050 PLN

Upside: +11%

FACT SHEET

Ticker			**KTY**
Sector			**Industrials**
Price (PLN)			**947**
52W range (PLN)			**658,5 / 943**
Shares outstanding (m)			**9.8**
Market Cap (PLNm)			**9,302**
Free-float			**100%**
3M Avg. Vol. (PLNm)			**14.9**
Price performance	1M	3M	1Y
	0%	**3%**	**36%**

RELATIVE SHARE PRICE VS WIG INDEX



RECOMMENDATIONS	DATE	TP
Buy	23.10.2025	1,030
Buy	21.07.2025	1,030
Buy	17.04.2025	1,000
Buy	10.12.2024	1,000
Buy	02.12.2024	1,000
Under Review	04.11.2024	

SHAREHOLDERS	Share %
OFE Nationale-Nederlanden	15.3%
OFE Allianz Polska	14.8%
OFE PZU Złota Jesień	9.6%
OFE Generali	8.0%
OFE Vienna	6.1%

INVESTOR CALENDAR

4Q25 Prelims	17.12.2025

ANALYST

David Sharma, CFA

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Glossary of professional terms:

capitalisation – market price multiplied by the number of a company's shares

free float (%) – percentage of a company's shares held by shareholders with less than 5% of total voting rights attached to the shares, reduced by treasury shares held by the company

min/max 52 wks – lowest/highest share price over the previous 52 weeks

average turnover – average volume of share trading over the previous month

EBIT – operating profit

EBITDA – operating profit before depreciation and amortisation

adjusted profit – net profit adjusted for one-off items

CF – cash flow

CAPEX – sum of investment expenditures on fixed assets

OCF – cash generated through a company's operating activities

FCF – cash generated by a company after accounting for cash outflows to support its operations and maintain capital assets

FCFF - free cash flow, cash generated through the operational activities of the company minus capital expenditures and lease payments

ROA – rate of return on assets

ROE – rate of return on equity

ROIC – rate of return on invested capital

NWC – net working capital

cash conversion cycle – length of time it takes for a company to convert its cash investments in production inputs into cash revenue from sale of its products or services

gross profit margin – ratio of gross profit to net revenue

EBITDA margin – ratio of the sum of operating profit and depreciation/amortisation to net revenue

EBIT margin – ratio of operating profit to net revenue

net margin – ratio of net profit to net revenue

EPS – earnings per share

DPS – dividend per share

BVPS – book value per share

P/E – ratio of market price to earnings per share

P/BV – ratio of market price to book value per share

EV/EBITDA – ratio of a company's EV to EBITDA

EV – sum of a company's current capitalisation and net debt

DY – dividend yield, ratio of dividends paid to share price

FCFF yield – free cash flow yield, FCFF divided by EV and adjustments

RFR – risk free rate

WACC – weighted average cost of capital

Recommendations of the Brokerage House

Issuer – Grupa Kęty S.A.

BUY – we expect the total return on an investment to reach at least 15%

HOLD we expect the price of an investment to be largely stable, with potential upside of up to 15%

SELL – we expect negative total return on an investment of more than -0%

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Document prepared by: David Sharma

Valuation methods used

The Discounted Cash Flow (DCF) method values a company by estimating its future cash flows and discounting them back to their present value.

- Advantages: future-oriented, flexible when it comes to assumptions, based on the intrinsic value of a company, widely accepted.

- Disadvantages: sensitivity to assumptions, complexity, subjectivity, doesn’t consider market sentiment or short-term fluctuations.

The comparable valuation method values a company by comparing it to similar publicly traded companies.

- Advantages: simplicity, transparency, benchmarking, reflects current market valuations and investor sentiment.

- Disadvantages: lack of specificity, limited comparables, sensitive to market fluctuations, ignoring fundamental differences.

SOTP – sum-of-the-parts method, which consists in valuing a company by valuing its individual business lines separately and then summing them up.

Advantages: different valuation methods can be applied to diverse business lines; the approach is useful for assessing the value of a company e.g. in the case of planned acquisition or restructuring.

Disadvantages: the peer group for individual business lines is usually limited, the method does not adequately account for synergies between business segments.

Risk-adjusted net present value method (rNPV)

Advantages: accounting for probabilities assigned to future cash flows, providing a more realistic assessment of the present value of future cash flows and reflecting business-specific factors, especially in the case of innovative companies.

Disadvantages: subjectivity involved in the adoption of a discount rate, significant reliance on a number of assumptions, high level of complexity in the calculations and exclusion of qualitative factors from the valuation.

Discounted residual income method (DRI)

Advantages: valuation based on the excess of income over risk-adjusted opportunity cost to owners of capital, the method can be applied to companies that do not pay dividends or generate positive FCF.

Disadvantages: significant reliance on subjective judgements and assumptions, as well as sensitivity of the valuation to any changes in those variables.

Discounted dividend model (DDM)

Advantages: accounting for real cash flows to equity owners, the model works best for companies with a long history of dividend distribution.

Disadvantages: the method can be applied to dividend-paying companies only, it is not suitable for companies with a short history of dividend distribution.

Net asset value method (NAV)

Advantages: the approach is particularly relevant to holding companies with significant property, plant and equipment assets, the calculation of NAV is relatively straightforward.

Disadvantages: the method neglects future revenue or earnings potential and may not properly reflect the value of intangible assets.

Target multiple method

Advantages: the method can be applied to any company.

Disadvantages: it involves a high degree of subjectivity.

Replacement value method – it assesses the value of a company based on the costs of replacing its assets.

Advantages: the method is particularly relevant to companies with significant property, plant and equipment assets.

Disadvantages: it may be hard to capture the value of a company’s intangible assets, reputation and market potential.

Liquidation value method – the sum of prices that the business would receive upon selling its individual assets on the open market.

Advantages: the method can capture the lowest threshold of a company's value.

Disadvantages: it may be hard to capture the value of a company's intangibles.

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