

# Aforti S.A.



Fair Value: PLN 12

Initiating Coverage

Rating: n.a

**Aforti S.A. (Aforti or AFH) is a Polish owner-managed provider of non-bank financial services. Its service portfolio, which covers currency exchange, factoring and debt collection, is targeted at small, medium and micro enterprises in Poland and Romania, where AFH's subsidiaries obtained the licenses of a small payment institution and a non-bank provider of financial services. Due to a recent acquisition in Cyprus the company also has an EMI license for Europe. Its UK-based subsidiary Aforti PLC, the 100% owner of Aforti Exchange (accounted for 80.7% of AFH's total fee income in Q1/21) is currently looking for either equity or debt in Europe for financing geographical expansion and, we believe, the development of a new online financing platform for SMEs. Based on our conservative forecasts and a weighted average of a DCF (50%) and Residual Income Model (50%), we have determined a 12-months FV for the stock of PLN 12 per share vs. PLN 6.94 currently. The main risks, which we see, are 1. use of Polish Accounting Standards, which makes a comparison to peers that use IFRS not possible, and 2. high level of debt (31/03/2021: net debt equaled PLN 195.9m or 3.1x AFH's current market capitalization).**

**Aforti is a fast-growing company, whose total fee income increased at a CAGR of 111.4% in 2014-2020. In Q1/21, transaction volumes at Aforti Exchange (+208.9% y-o-y) and Aforti Collections strongly picked up (+85.7%), while Aforti Factor reported a decline (-61.8%).** While EBIT (PLN -5.5m vs. PLN -9.3m) significantly improved y-o-y due to cost-cutting measures, net profit (PLN 0.6m vs. PLN 0.5m) was only slightly higher mainly due to a lower financial result y-o-y. As of 31/03/2021, 34.1% of interest-bearing debt was short-term and the company had PLN 4.8m of cash in the bank. Goodwill made up 135.4% of AFH's equity (excl. own shares).

**The segment of SMEs is very attractive as there are in total 4.9m of such companies in CEE/SEE, which are potential customers of AFH.** In the EU, they make up 99% of all companies. There is strong potential demand for AFH's services as the main sources of capital for SMEs are internal funds (retained earnings, equity of the founders) or trade financing. Banks hesitate to co-operate with small companies due to high level of risk and lack of assets.

in PLNm	2019	2020	2021E	2022E	2023E	2024E
Total fee income	1,036.53	1,010.42	1,513.73	1,740.47	2,001.18	2,300.97
EBITDA	-28.91	-29.52	-18.95	3.44	13.97	27.56
EBIT	-30.66	-31.01	-21.19	0.87	11.01	24.16
Net income	0.24	3.72	8.36	17.63	22.91	30.94
EPS	0.03	0.41	0.92	1.95	2.53	3.42
DPS	0.00	0.00	0.00	0.00	0.00	0.00
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
RoE	1.35%	12.85%	31.89%	44.96%	38.52%	35.80%
Net gearing	317.45%	840.01%	523.74%	278.23%	144.25%	64.97%
P/Tangible BV	neg	neg	1.71x	4.25x	7.67x	12.15x
P/FCF	neg	neg	39.87x	3.34x	2.42x	1.98x
P/E	259.31x	16.89x	7.51x	3.56x	2.74x	2.03x

## Company profile

Aforti Group provides financial services to SMEs in Poland and Romania. In the coming years, it plans to expand to other countries of the CEE/SEE region.

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Website	www.aforti.pl
Sector	Financial Services
Country	Poland
ISIN	PLMNTHL00016
Reuters	AFH.WA
Bloomberg	AFH.PW

## Share information

Last price	6.94
Number of shares (m)	9.04
Market cap. (PLNm)	62.76
Market cap. (EURm)	13.85
52-weeks range	PLN 21.80 / PLN 5.50
Average volume	2,259

## Performance

4-weeks	-7.47%
13-weeks	-13.25%
26-weeks	-3.61%
52-weeks	-28.45%
YTD	-22.89%

## Shareholder structure

Klaudiusz Sytek (CEO)	68.74%
Kamila Sytek-Konieczna	5.57%
January Ciszewski	5.16%
Free float*	20.53%

\* thereof, 1.3m shares have not yet been admitted to trading

## Financial calendar

H1/21 report	August 16, 2021
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## Investment Case

- Aforti S.A. (AFH) is a non-bank provider of financial services for small, medium and micro enterprises with >6,000 clients and operations in Poland and Romania. Its management consists of experienced professionals with a successful track record in Private & Corporate Banking at leading banks in Poland. Historically, the company had provided loans to SMEs, which however became increasingly difficult after the GetBack scandal in Poland in 2019 due to stricter regulations. Currently, AFH focuses on providing currency exchange for business clients, debt collection and factoring services. Through Aforti Exchange, the company has a license as a small payment institution in Poland and, through Aforti Finance Romania IFN, as a non-bank provider of financial services in Romania. Also, it has recently acquired a Cyprus-based company with an EMI license (Electronic Money Institution; well-known FinTechs such as Revolut or N26 also own it), which is valid Europe-wide.
- Aforti, whose total fee income has grown at a CAGR of 111.4% since 2014, operates through several subsidiaries, however its most important ones are the fully-consolidated Aforti Exchange S.A. (provides currency exchange services and consulting in this area to corporates; is 100%-owned by UK-based Aforti PLC), Aforti Collections S.A. (provides debt collection services) and Aforti Factor S.A. (factoring services). AFH is currently in the process of raising either equity or debt for Aforti PLC in Europe, which it needs to scale up its business in other CEE/SEE countries and, in our view, develop an online transaction platform that is supposed to combine all its current services and generate both fee- and subscription-based revenues.
- Q1/21 was very good for AFH as transaction volumes at Aforti Exchange and Aforti Collections increased by 208.9% and 85.7% respectively y-o-y. Due to cost cutting measures Aforti was able to report better EBIT (PLN -5.5m vs. PLN -9.3m in Q1/20) and net income (PLN 599k to PLN 464k). In Jan-Apr 2021, transaction volumes significantly picked up at the subsidiaries Aforti Exchange (+221% y-o-y to PLN 1.3bn) and Aforti Collections (+43.2% to PLN 271.1m), while at Aforti Factor they went down (-54.2% to PLN 5.4m). For 2021E, we have conservatively assumed that total fee income will grow by 49.8% to PLN 1.5bn and by 14.6% on average in the long run. While EBIT should remain negative this year due to the planned geographical expansion, we believe that it will break-even in 2022E. We expect that the net margin will reach 0.6% in 2021E and >2% in the long run (partially similar Polish companies such as Kruk or Pragma Inkasso historically had net margins of >20% and >4% respectively).
- We initiate coverage of AFH with a 12-months FV (50% DCF, 50% Residual Income Model) of PLN 12 per share. In our view, positive are the implied P/E 2021E of 7.5x, good results in Jan-Apr 2021 and promising strategy (geographical expansion in CEE/SEE, likely development of a scalable online platform). Risks include 1. the use of Polish Accounting Standards and 2. high net debt, which equals 3.1x AFH's current market capitalization and 8.5x its equity (excl. own shares)

## SWOT Analysis

### Strengths

- Aforti is the leading independent provider of financial services for SMEs in Poland and Romania. The company focuses on the three promising areas currency exchange, factoring and debt collection
- Official licenses in Poland (small payment institution), Romania (non-bank financial institution) and Cyprus (EMI license)
- Strong pick up of transaction volumes relating to foreign currencies and debt collection in Jan-Apr 2021
- Strong management team with long and successful track record at leading financial institutions
- The CEO, who founded the company, and his family own in total 74.5% of Aforti's shares

### Opportunities

- The niche of SMEs and micro-enterprises offers many opportunities as these companies are too risky for banks as clients
- Attractive financing conditions in Poland and the Euro zone due to record-low interest rates
- Development of a subscription-based online platform, which is supposed to combine all services of Aforti
- Expansion to other CEE and SEE countries and business areas such as Private Banking
- Potential sale of the whole group or separate subsidiaries to a larger competitor in the future

### Weaknesses

- In 2020, the business relating to business loans for SMEs was given up due to much stricter regulations in Poland after the GetBack scandal in 2019
- Accounting relating to turnover and commission income has not been transparent in the past. Also, operating cash flow has been negative in the last few years
- So far, Aforti has used Polish Accounting Standards, which are not the best choice for a company, which offers financial services in multiple countries and seeks financing outside Poland
- High indebtedness
- Listing in the alternative NewConnect segment of the Warsaw Stock Exchange, where e.g. the registration of new shares takes much longer than in the main market
- Aforti has been loss-making on EBIT level in the last two years and will likely also report an operating loss for 2021E
- Issues with peer-to-peer platforms Mintos and Vivento, whom AFH has to pay back c. EUR 3m by 2023E

### Threats

- Risks relating to government regulations and legal changes
- Withdrawal of the EMI license
- In the area of currency exchange, competition by players, who are backed by large VC funds. In other areas, competition is intense by both independent players and banks
- Issues with raising new financing

## Valuation

We have valued Aforti by using a weighted average of a DCF model (50% weight) and Residual Income Model (50%). A peer group valuation does not seem to be appropriate as Aforti's stock is illiquid and no peer is 100% comparable to it in terms of business model and accounting methodology. Our approach derives a 12-months Fair Value of PLN 12 per share.

Below are the key assumptions of our WACC calculation:

- (1) *Risk-free rate*: Current yield of Polish long-term government bonds with maturity in 2047E is 2.46% (Source: www.boerse-stuttgart.de)
- (2) *Beta*: Levered beta of 2.5x
- (3) *Equity risk premium (Poland)*: 5.54% (Source: www.damodaran.com)
- (4) *Equity cost*: 16.3%
- (5) *Target equity ratio*: 60%
- (6) *After-tax cost of debt*: 11%
- (7) *WACC*: 15%
- (8) *Sales growth in the terminal period*: 2%
- (9) Free cash flows and residual values are discounted to May 20, 2021

## DCF model

in PLNm	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
<b>Net sales</b>	<b>1,513.73</b>	<b>1,740.47</b>	<b>2,001.18</b>	<b>2,300.97</b>	<b>2,530.67</b>	<b>2,783.33</b>	<b>3,061.23</b>	<b>3,244.79</b>	<b>3,439.37</b>
(y-o-y change)	49.8%	15.0%	15.0%	15.0%	10.0%	10.0%	10.0%	6.0%	6.0%
<b>Operating profit</b>	<b>-21.19</b>	<b>0.87</b>	<b>11.01</b>	<b>24.16</b>	<b>39.23</b>	<b>57.06</b>	<b>79.59</b>	<b>81.12</b>	<b>82.48</b>
(operating margin)	-1.4%	0.1%	0.6%	1.1%	1.6%	2.1%	2.6%	2.5%	2.4%
<b>NOPLAT</b>	<b>-17.17</b>	<b>0.70</b>	<b>8.92</b>	<b>19.57</b>	<b>31.77</b>	<b>46.22</b>	<b>64.47</b>	<b>65.71</b>	<b>66.81</b>
+ Depreciation & amortisation	2.24	2.57	2.96	3.40	3.74	4.12	4.53	4.80	5.09
= Net operating cash flow	-14.93	3.28	11.87	22.97	35.52	50.33	69.00	70.51	71.89
- Total investments (Capex and WC)	-0.63	-1.20	-0.36	-3.10	-3.55	-4.62	-6.21	-6.21	-7.03
Capital expenditures	-3.23	-3.02	-3.47	-4.00	-4.20	-4.62	-5.08	-5.16	-5.47
Working capital	2.60	1.83	3.11	0.90	0.64	0.00	-1.13	-1.05	-1.56
= Free cash flow (FCF)	-15.56	2.08	11.51	19.87	31.96	45.72	62.79	64.30	64.86
<b>PV of FCF's</b>	<b>-14.28</b>	<b>1.66</b>	<b>7.99</b>	<b>11.99</b>	<b>16.77</b>	<b>20.87</b>	<b>24.92</b>	<b>22.20</b>	<b>19.47</b>
PV of FCFs in explicit period	111.60								
PV of FCFs in terminal period	157.66								
<b>Enterprise value (EV)</b>	<b>269.26</b>								
+ Net cash / - net debt (31 March 2021)	-195.92								
+ Investments / - minorities	-13.28								
<b>Shareholder value</b>	<b>60.06</b>								
<b>Number of shares excl. own stock (m)</b>	<b>9.04</b>								
							<b>Terminal EBIT margin</b>		
<b>WACC</b>	<b>15.0%</b>								
Cost of equity	16.3%								
Pre-tax cost of debt	13.0%								
Normal tax rate	19.0%								
After-tax cost of debt	10.5%								
Share of equity	60.0%								
Share of debt	40.0%								
<b>Fair value per share in PLN</b>	<b>6.64</b>								
<b>Fair value per share in PLN (in 12 months)</b>	<b>7.64</b>								

Source: East Value Research GmbH

## Residual Income Model

in PLNm	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Equity	30.40	48.03	70.94	101.88	142.39	195.93	266.30	336.50	406.38
Return-on-Equity	31.89%	44.96%	38.52%	35.80%	33.17%	31.65%	30.45%	23.29%	18.81%
Cost-of-equity	16.31%	16.31%	16.31%	16.31%	16.31%	16.31%	16.31%	16.31%	16.31%
ROE - CoE	15.58%	28.65%	22.21%	19.49%	16.86%	15.34%	14.14%	6.98%	2.50%
<b>Residual profit</b>	<b>4.74</b>	<b>13.76</b>	<b>15.75</b>	<b>19.86</b>	<b>24.00</b>	<b>30.05</b>	<b>37.65</b>	<b>23.49</b>	<b>10.17</b>
<i>Discount factor</i>	<i>1.0976</i>	<i>1.2767</i>	<i>1.4849</i>	<i>1.7271</i>	<i>2.0088</i>	<i>2.3364</i>	<i>2.7175</i>	<i>3.1608</i>	<i>3.6764</i>
<b>Disc. residual profit</b>	<b>4.31</b>	<b>10.78</b>	<b>10.61</b>	<b>11.50</b>	<b>11.95</b>	<b>12.86</b>	<b>13.86</b>	<b>7.43</b>	<b>2.77</b>
Sum disc. residual profit	86.06								
Terminal value	19.72								
<b>Sum</b>	<b>105.78</b>								
Equity (31/03/2021)	22.95								
<b>Fair equity value</b>	<b>128.73</b>								
No of shares excl. own stock	9.04								
<b>Fair equity value per share (today)</b>	<b>14.24</b>								
<b>Fair equity value per share (in 12 months)</b>	<b>16.56</b>								

Source: East Value Research GmbH

## Price target calculation

Valuation method	Fair value	Weight
DCF model	6.64	50%
Residual income model	14.24	50%
<b>Weighted average (present value)</b>	<b>10.44</b>	
<b>In 12-months (PV * (1+WACC))</b>	<b>12.00</b>	

Source: East Value Research GmbH

## Peer Group Analysis

In its business segments, Aforti competes with different companies, which are both listed and privately-held. In the area of currency exchange, its competitors also include online FX exchanges of banks.

Currency exchange:

- (1) *Revolut Ltd.*: Revolut, which is based in London and was founded in 2013, is a financial services company that specializes in mobile banking, card payments, money remittance, and foreign exchange. Its offering includes e.g. a pre-paid debit card, currency exchange, and peer-to-peer payments. The company, which is already valued at USD >1bn, has among others Index Ventures, Ribbit Ventures, Baring and Balderton Capital among its investors.
- (2) *Walutomat Sp. z.o.o.*: Walutomat was founded in 2009 and is based in Poznan. It is a Polish online currency exchange platform, where users can directly exchange foreign currencies between themselves, by setting the rates at which they sell and buy. Thus, they are able to omit the costly mediation of banks and traditional currency exchange offices. Since 2009, over 165,000 users of Walutomat's platform have exchanged PLN 20bn.
- (3) *Conotoxia/Cinkciarz Sp. z.o.o.*: Conotoxia Holding group provides a professional financial platform on Conotoxia.com and Cinkciarz.pl, which offers a broad spectrum of services, including online currency exchange (28 currencies), money transfers (e.g. US citizens can transfer money to 30 European countries), multi-currency cards, online payment services and access to Forex trading. The Group provides its services to customers in Europe and the US. Cinkciarz is sponsor of the NBA team Chicago Bulls.

Debt collection:

- (4) *Kruk S.A.*: Kruk, which is based in Wroclaw and was founded in 1998, manages debt for institutional clients in Poland, Romania, Italy, the Czech Republic, Slovakia, Germany, and Spain. It purchases and manages debt portfolios, including consumer, mortgage-backed, and SME/corporate debts; and offers consumer unsecured loans, mortgage loans, SME/corporate loans, and credit management services. The company manages the receivables of banks, loan brokers, insurers, leasing companies, landline and mobile telecommunications operators, cable TV operators, digital TV operators, and FMCG companies. It also provides Novum loan services; detective services; financial intermediation agency services, and support for small and medium-sized enterprises; credit information exchange systems; investment fund management services; receivable management services; and portfolio underwriting services. Moreover, it invests in receivables and offers certificates of securitization funds. Based on data from marketscreener.com, the stock is currently trading at a P/E 2021E of 12x.

- (5) *Hoist Finance AB*: Hoist Finance, which was founded in 1994 and is headquartered in Stockholm, provides solutions for the acquisition and management of non-performing loans (NPLs) in Europe. It purchases NPLs originated by international banks and other financial institutions. The company also provides current account and fixed-term deposits. Currently, it is trading at P/E 2021E of 28.7x.
- (6) *BEST S.A.*: BEST, which is based in Gdynia, operates in the Polish debt collection industry and provides debt collection services for banks, borrowing companies, telecommunication operators, power companies, among others. In addition, it manages securitized assets of securitization funds, as well as invests in non-performing debt portfolios through the issue of investment certificates and bonds.
- (7) *Intrum AB*: The Swedish company Intrum offers credit optimization services, including credit monitoring, credit decision, factoring, and credit information services; and debt collection, surveillance, and purchase services. It also provides payment guarantee and VAT services, credit management, payment solutions and factoring. The stock is currently trading at a P/E 2021E of 12x.
- (8) *Kredyt Inkasso S.A.*: Kredyt Inkasso, which is based in Warsaw and controlled by the Dutch fund Waterland Private Equity, provides debt management services in Poland, Russia, Romania, Bulgaria, and Croatia. The company offers payment monitoring services and debt collection services related to court and enforcement procedures. It serves banks, insurance and telecommunication companies.

#### Factoring:

- (9) *Banca Farmafactoring S.p.A.*: BFF, which is based in Milan/Italy, engages in the management and non-recourse sale of trade receivables due from public administrations and national healthcare systems. It operates in Italy, Croatia, the Czech Republic, France, Greece, Poland, Portugal, the Slovak Republic, and Spain. Currently, the stock is trading at a P/E 2021E of 6.8x.
- (10) *Banca IFIS S.p.A.*: Banca IFIS, which is based in Mestre/Italy, engages in the purchase/management of non-performing loan portfolios. It is currently trading at a P/E 2021E of 9.9x.
- (11) *PragmaGO S.A.*: PragmaGO, which is headquartered in Katowice/Poland, has been on the market since 1996. It offers factoring, leasing, debt collection, legal services, financing and loans, acquisition of receivables, business intelligence, securitization fund, debt exchange, and debt collection stamp services.

Since recently, the company has been owned by the Polish Enterprise Fund of the well-known private equity company Enterprise Investors.



Company	Market cap	Sales 2020	EBITDA margin 2020	EBITDA margin 2019	Net gearing Latest	P/Tangible BVPS Latest	ROE 2020	ROE 2019
Kruk S.A. (PLN)	3,557.00	1142.90	49.7%	48.9%	103.1%	1.8x	4.0%	14.1%
Hoist Finance AB (SEK)	3,098.80	2296.00	15.7%	28.4%	150.7%	0.6x	-0.9%	12.4%
BEST S.A. (PLN)	515.50	295.14	32.3%	41.8%	38.8%	1.1x	6.8%	4.1%
Intrum AB (SEK)	34,818.80	18848.00	61.6%	71.6%	231.2%	-2.9x	9.8%	-1.6%
Kredyt Inkasso S.A. (PLN)	154.80	106.51	4.3%	46.1%	-78.1%	0.7x	-17.2%	3.1%
Banca Farmafactoring S.p.A. (EUR)	1,413.20	210.00	43.4%	45.8%	-348.1%	2.3x	19.7%	24.7%
Banca IFIS S.p.A (EUR)	699.80	392.60	23.6%	29.3%	272.6%	0.5x	4.5%	8.0%
Aforti Holding S.A. (PLN)	62.76	1,010.42	-2.9%	-2.8%	135.4%	-7.7x	12.8%	1.4%

Source: CapitalIQ, marketscreener.com, bankier.pl, East Value Research GmbH

## Q1/21 results

### Revenues and Profitability

For Q1/21, Aforti reported total fee income of PLN 435.1m, which corresponded to a y-o-y growth of 205.9%. The currency exchange platform Aforti Exchange accounted for 80.7% of the total turnover, Aforti Collections (Debt collection) for 19% and Aforti Factor (Factoring) for 0.3%.

In Q1/21, Aforti Exchange and Aforti Collections reported increasing business volumes, while in case of Aforti Factor they declined. In our view, Aforti Factor faces intense competition in Poland.

in PLNm	Q1/21	Q1/20	change (%)
<b>Total fee income</b>	<b>435.11</b>	<b>142.25</b>	205.9%
<b>EBITDA</b>	<b>-5.16</b>	<b>-8.91</b>	-42.1%
<i>EBITDA margin</i>	<i>-1.2%</i>	<i>-6.3%</i>	
<b>EBIT</b>	<b>-5.49</b>	<b>-9.32</b>	-41.1%
<i>EBIT margin</i>	<i>-1.3%</i>	<i>-6.6%</i>	
<b>Net income</b>	<b>0.60</b>	<b>0.46</b>	29.1%
<i>Net margin</i>	<i>0.1%</i>	<i>0.3%</i>	

Source: Company information, East Value Research GmbH

As the table below shows, the transaction volume of AFH's subsidiaries Aforti Exchange and Aforti Collections in January-April 2021 strongly picked up y-o-y.

in PLNm	Sep 20	Oct 20	Nov 20	Dec 20	2020	Jan 21	Feb 21	Mrz 21	Apr 21
<b>Aforti Exchange</b>	<b>216.92</b>	<b>290.18</b>	<b>255.05</b>	<b>415.21</b>	<b>2216.97</b>	<b>241.71</b>	<b>259.23</b>	<b>439.32</b>	<b>357.64</b>
<i>change y-o-y</i>	<i>-14.1%</i>	<i>11.7%</i>	<i>28.4%</i>	<i>191.0%</i>		<i>115.8%</i>	<i>132.7%</i>	<i>364.1%</i>	<i>267.5%</i>
<b>Aforti Collections</b>	<b>82.45</b>	<b>46.11</b>	<b>81.84</b>	<b>32.15</b>	<b>676.55</b>	<b>46.82</b>	<b>75.78</b>	<b>102.33</b>	<b>46.17</b>
<i>change y-o-y</i>	<i>295.0%</i>	<i>243.2%</i>	<i>-1.0%</i>	<i>-6.1%</i>		<i>157.6%</i>	<i>138.0%</i>	<i>43.9%</i>	<i>-32.3%</i>
<b>Aforti Factor</b>	<b>2.87</b>	<b>1.27</b>	<b>1.19</b>	<b>1.15</b>	<b>27.29</b>	<b>0.76</b>	<b>0.94</b>	<b>1.48</b>	<b>2.21</b>
<i>change y-o-y</i>	<i>-56.5%</i>	<i>-54.1%</i>	<i>-47.7%</i>	<i>-42.8%</i>		<i>-54.5%</i>	<i>-53.4%</i>	<i>-63.0%</i>	<i>-35.8%</i>
<b>Total volume</b>	<b>302.25</b>	<b>337.57</b>	<b>338.08</b>	<b>448.51</b>	<b>2,920.81</b>	<b>289.29</b>	<b>335.95</b>	<b>544.13</b>	<b>408.02</b>

Source: Company information, East Value Research GmbH

Due to a much better costs structure y-o-y the EBIT margin in Q1/21 strongly improved from -6.6% to -1.3%. Cost of Sales (PLN 437.7m) also reflected costs associated with purchasing currencies.

Net profit improved from PLN 464k in Q1/20 to PLN 599k, which was less than EBIT due to a much weaker net financial result y-o-y (PLN 5.7m vs. PLN 9.6m) and higher tax (PLN -1.8m vs. PLN 0).

### **Balance sheet and Cash flow**

At the end of March 2021, Aforti had consolidated equity excl. own shares worth PLN 22.9m, which corresponds to an equity ratio of just 7.6%. Interest-bearing debt equaled PLN 200.7m incl. PLN 161.9m bonds/bills of sale with an interest rate of 5-10% per year, of which PLN 3m is repaid every month. Thereof, 34.1% is short-term. Approx. PLN 14m is related to loans for SMEs and micro enterprises, which until 2020 had been provided by Aforti Finance. Fixed assets (cars, computer hardware etc.) equaled PLN 1.5m, intangible assets (predominantly software) PLN 2m and goodwill PLN 31.1m (135.4% of equity excl. own shares). Long-term and short-term prepaid expenses of PLN 4m and PLN 13.1m respectively relate to costs of bonds/bills of sale that are repaid over time, advertising and sponsoring costs and insurance that are paid upfront. Deferred revenues (PLN 40.5m) stem from acquired debt portfolios.

Between January and March 2021, Aforti generated an operating cash flow of PLN -7.3m compared to PLN -7.6m in Q1/20. It was negatively impacted by a PLN 2.5m FX loss, PLN 5.9m loss from investments and PLN 5.1m higher trade receivables. Cash flow from investing equaled PLN -1.6m (Q1/20: PLN -137k), while cash flow from financing amounted to PLN 11.8m (PLN 7.5m). Between January and March 2021, Aforti's cash position increased by PLN 2.8m to PLN 4.8m.

## Financial forecasts

### Revenues and Profitability

We have based our model of Aforti on the business segments Aforti Exchange (least profitable according to management), Aforti Collections (most profitable) and Aforti Factor. Due to intense competition we have assumed that Aforti Exchange and Aforti Collections will grow much faster than Aforti Factor (CAGR 14.6% and 11% respectively vs. -6.7%) going forward. We expect that Aforti's results will mainly improve on the bottom line through savings related to external services. While in 2021E EBIT should still remain negative, we expect that the company will be able to generate an operating profit from 2022E.

Below are our estimates for Aforti's business segments. We have based the calculation of our revenue forecasts on a commission, which remains stable over time, and transaction volumes. In our view, our estimates are conservative due to the fact that based on its EMI license Aforti plans to strongly expand in Romania, Bulgaria and other CEE/SEE countries and there are 4.9m SMEs in the region. Moreover, they do not take into account a potential move into new business areas such as Private Banking, where the company could leverage its relations to individual clients, who have bought its bonds so far.

In our opinion, Aforti's main problem is its accounting, which follows Polish Accounting Standards and makes the analysis of the company's statements difficult for international investors.

in PLNm	2021E	2022E	2023E	2024E
<b>Aforti Exchange</b>	<b>1,507.93</b>	<b>1,734.12</b>	<b>1,994.24</b>	<b>2,293.37</b>
<i>(% of sales)</i>	<i>99.6%</i>	<i>99.6%</i>	<i>99.7%</i>	<i>99.7%</i>
Total transaction volume (PLNk)	3,325,466	3,824,286	4,397,929	5,057,618
Average commission	45.3%	45.3%	45.3%	45.3%
<b>Aforti Collections</b>	<b>5.11</b>	<b>5.62</b>	<b>6.18</b>	<b>6.80</b>
<i>(% of sales)</i>	<i>0.3%</i>	<i>0.3%</i>	<i>0.3%</i>	<i>0.3%</i>
Total transaction volume (PLNk)	1,014,818	1,116,299	1,227,929	1,350,722
Average commission	0.5%	0.5%	0.5%	0.5%
<b>Aforti Factor</b>	<b>0.69</b>	<b>0.73</b>	<b>0.76</b>	<b>0.80</b>
<i>(% of sales)</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
Total transaction volume (PLNk)	10,915	11,461	12,034	12,636
Average commission	6.3%	6.3%	6.3%	6.3%
<b>Total fee income</b>	<b>1,513.73</b>	<b>1,740.47</b>	<b>2,001.18</b>	<b>2,300.97</b>
<i>(change y-o-y)</i>	<i>49.8%</i>	<i>15.0%</i>	<i>15.0%</i>	<i>15.0%</i>

Source: East Value Research GmbH

in PLNm	2021E	2022E	2023E	2024E
<b>Total fee income</b>	<b>1513.73</b>	<b>1740.47</b>	<b>2001.18</b>	<b>2300.97</b>
<b>EBITDA</b>	<b>-18.95</b>	<b>3.44</b>	<b>13.97</b>	<b>27.56</b>
<i>EBITDA margin</i>	<i>-1.3%</i>	<i>0.2%</i>	<i>0.7%</i>	<i>1.2%</i>
<b>EBIT</b>	<b>-21.19</b>	<b>0.87</b>	<b>11.01</b>	<b>24.16</b>
<i>EBIT margin</i>	<i>-1.4%</i>	<i>0.1%</i>	<i>0.6%</i>	<i>1.1%</i>
<b>Net income</b>	<b>8.36</b>	<b>17.63</b>	<b>22.91</b>	<b>30.94</b>
<i>Net margin</i>	<i>0.6%</i>	<i>1.0%</i>	<i>1.1%</i>	<i>1.3%</i>

Source: East Value Research GmbH

in PLNm	Q1/19	Q2/19	Q3/19	Q4/19	2019	Q1/20	Q2/20	Q3/20	Q4/20	2020	Q1/21
<b>Total fee income</b>	<b>203.80</b>	<b>232.08</b>	<b>236.31</b>	<b>364.34</b>	<b>1036.53</b>	<b>142.25</b>	<b>140.25</b>	<b>283.99</b>	<b>443.94</b>	<b>1010.42</b>	<b>435.11</b>
<i>y-o-y change</i>	<i>104.0%</i>	<i>61.4%</i>	<i>93.7%</i>	<i>76.6%</i>	<i>81.2%</i>	<i>-30.2%</i>	<i>-39.6%</i>	<i>20.2%</i>	<i>21.8%</i>	<i>-2.5%</i>	<i>205.9%</i>
<b>EBITDA</b>	<b>-4.50</b>	<b>-4.59</b>	<b>-6.12</b>	<b>-13.70</b>	<b>-28.91</b>	<b>-8.50</b>	<b>-6.11</b>	<b>-5.81</b>	<b>-9.11</b>	<b>-29.52</b>	<b>-5.16</b>
<i>EBITDA margin</i>	<i>-2.2%</i>	<i>-2.0%</i>	<i>-2.6%</i>	<i>-3.8%</i>	<i>-2.8%</i>	<i>-6.0%</i>	<i>-4.4%</i>	<i>-2.0%</i>	<i>-2.1%</i>	<i>-2.9%</i>	<i>-1.2%</i>
<b>EBIT</b>	<b>-5.25</b>	<b>-5.33</b>	<b>-6.84</b>	<b>-13.25</b>	<b>-30.66</b>	<b>-9.32</b>	<b>-7.33</b>	<b>-6.54</b>	<b>-7.82</b>	<b>-31.01</b>	<b>-5.49</b>
<i>EBIT margin</i>	<i>-2.6%</i>	<i>-2.3%</i>	<i>-2.9%</i>	<i>-3.6%</i>	<i>-3.0%</i>	<i>-6.6%</i>	<i>-5.2%</i>	<i>-2.3%</i>	<i>-1.8%</i>	<i>-3.1%</i>	<i>-1.3%</i>
<b>Net income</b>	<b>0.30</b>	<b>0.30</b>	<b>0.27</b>	<b>-0.62</b>	<b>0.24</b>	<b>0.46</b>	<b>0.73</b>	<b>1.06</b>	<b>1.47</b>	<b>3.72</b>	<b>0.60</b>
<i>Net margin</i>	<i>0.1%</i>	<i>0.1%</i>	<i>0.1%</i>	<i>-0.2%</i>	<i>0.0%</i>	<i>0.3%</i>	<i>0.5%</i>	<i>0.4%</i>	<i>0.3%</i>	<i>0.4%</i>	<i>0.1%</i>

Source: Company information, East Value Research GmbH

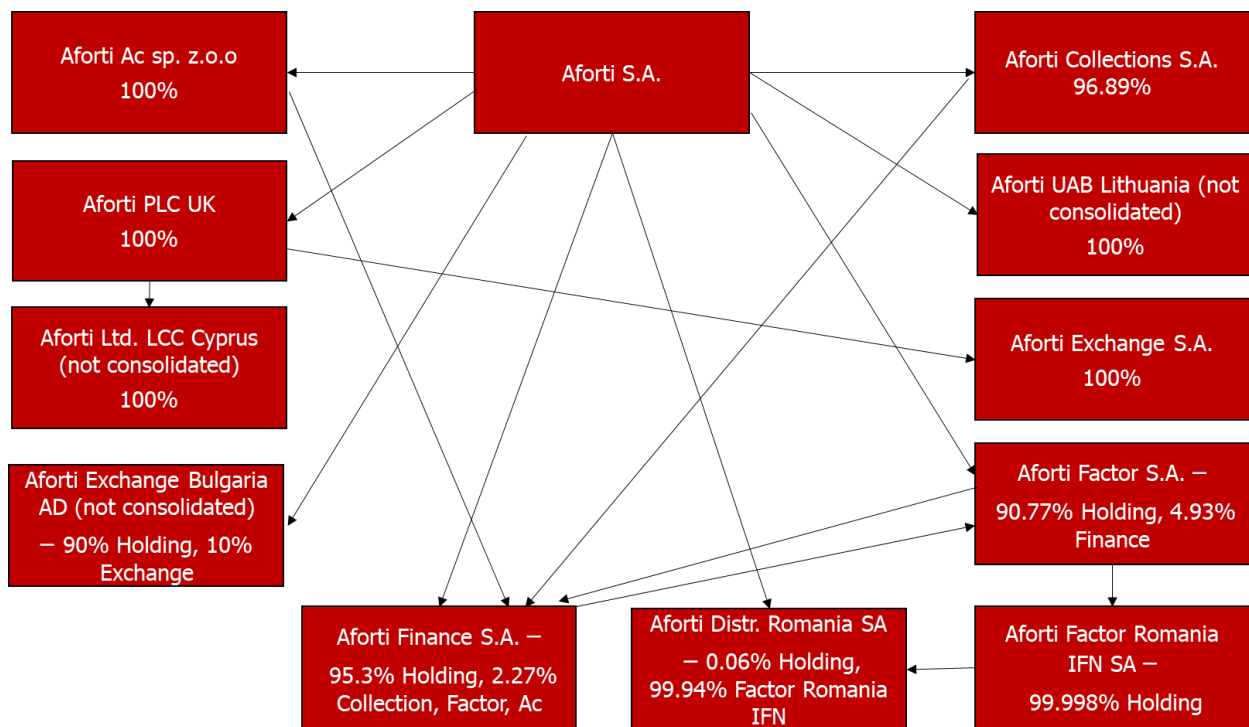
### CAPEX and Working capital

As it is basically a financial company, we have assumed that Aforti's gross CAPEX will only be slightly higher than yearly depreciation & amortization in the future. The share of working capital as percentage of sales should decline to 0.3% compared to 1.5% in 2020 and the cash conversion cycle grow from -1.2 days to >1 day.

## Business description

Aforti S.A., which is based in Warsaw, is the holding of a group, which comprises companies that provide services relating to debt collection, factoring, microloans and currency exchange for small-, medium-sized and micro enterprises. The holding company is in charge of strategy, while Aforti Ac provides accounting services for the whole group. Aforti is active in Poland and Romania, however plans to start operations in other Eastern European countries e.g. Bulgaria, Croatia, the Baltics in the near future. The company, which has been listed in the alternative NewConnect segment of the Warsaw Stock Exchange since 2011, currently has 145 employees (thereof c. 36 in Administration/IT/Legal, 27 in Sales/Marketing, 7 in Business Development/Analyses, 27 in Debt collection, 30 in Relations with equity & bond investors and 8 in FX dealing).

## Organizational structure



Source: East Value Research GmbH

## Company history

2009: Foundation of Aforti Advicone S.A., whose aim is to provide advisory services to businesses.

2011: Change of the name to Montu Holding S.A. and issue of 170,000 B and 30,000 C shares.

Capital increase worth PLN 270,000 and debut in the NewConnect segment of the Warsaw Stock Exchange.

2013: Acquisition of 100 shares representing 50% of the share capital of Aforti Wealth Sp. z.o.o. in the amount of PLN 5,000, acquisition of 200 shares representing 100% of the share capital of Aforti Direct Sp. z o.o. in the amount of PLN 10,000, acquisition of 100 shares representing 50% of the share capital of Aforti Wealth Sp. z o.o. in the amount of PLN 5,000 and acquisition of 30 shares representing 60% of the share capital of Aforti Exchange Sp. z o.o. in the amount of PLN 150,000.

2014: First public issue of Aforti S.A. bonds in the amount of PLN 2.5m.

Completion of the issue of 3 026 835 G series shares at PLN 1.08 per share.

Completion the issue of 1 760 000 H series shares at PLN 1.25 per share.

Conditional purchase of 90.01% of shares in the brokerage house Invista Dom Maklerski S.A.

Launch of the online platform for currency exchange [www.afortiexchange.pl](http://www.afortiexchange.pl).

Commissioning of the first microloan by Aforti Finance S.A.

2016: Aforti becomes a New Premium Sponsor of the soccer club Lech Poznan.

Foundation of the new subsidiary Aforti Collections S.A headquartered in Warsaw, which provides debt collection services.

2017: Incorporation of Aforti Exchange Romania S.A., a subsidiary with registered office in Bucharest.

Aforti becomes the new Strategic Sponsor of Lech Poznan.

Incorporation of Aforti Exchange Bulgaria AD, a subsidiary with registered office in Sofia. So far, it has not commenced operations.

2018: Aforti Corporate Finance S.A. changes its name to Aforti Factor S.A.

Aforti becomes the new Strategic Sponsor of speedway club GTM Start Gniezno.

Incorporation of Aforti Finance Romania IFN subsidiary, which obtains a license as a non-banking financial institution from the National Bank of Romania.

2019: Incorporation of Aforti UAB in Vilnius, which however still does not generate revenues.

2020: Aforti Exchange obtains a license as a Small Payment Institution from the Polish Central Bank.

Investment by Polish entrepreneur and investor Mr. January Ciszewski (800,000 shares at PLN 45 per share).

Registration of subsidiary Aforti PLC in Great Britain.

The EGM passes a buyback worth max. PLN 9m by mid-2021 at max. PLN 45 per share. So far, Aforti has bought back 7,400 shares at an average price of PLN 8.47 per share (0.8% of total shares outstanding).

2021: Acquisition of the company EPMAP LIMITED with an Electronic Money License (EMI) in Cyprus.

Like a license for a Payment Institution, an EMI license allows the offering of services relating to execution of payment transactions, including credit transfers and direct debits, issuing or acquiring payment instruments, money remittances and foreign exchange services. However, in addition it also allows to issue electronic money, meaning a company with an EMI license can provide IBAN accounts, payment cards and e-wallets.

Aforti's operations can be split into the following areas, which are currently provided in Poland and Romania. Within the group, the holding company is in charge of supporting the subsidiaries e.g. in the area of marketing, IR, legal advice, IT and also determines the strategy. Together with Aforti Ac, which provides accounting services to all subsidiaries, it had a share of 1% in Aforti's total revenues in 2020.

## Currency exchange

This area of activity is covered by the subsidiary Aforti Exchange S.A., which is owned by 100% subsidiary Aforti PLC that is currently raising capital in Europe.

Aforti Exchange, which is regulated by the Polish central bank NBP as a small payment institution, provides currency exchange for SMEs through an online platform.

It offers its clients wholesale FX rates at zero commission and the possibility to negotiate long-term rebates. The company's staff provides individual customer support, prepares recommendations and FX forecasts. We believe that in the next few years Aforti Exchange will develop into an EMI-regulated Treasury Management & Financial Platform offering for example multi-currency wallets, X-border payments worldwide and Forward & Dual Currency Deposits that is integrated both with Aforti's other subsidiaries and the ERP/Accounting systems of Eastern European corporate clients. In addition to volume-based fees, which Aforti Exchange currently generates, the new platform will likely also generate recurring subscription fees.

The CEO of Aforti Exchange S.A. is Mateusz Walczak, who previously worked as Manager at Citi, Director at Macquarie Capital and Managing Director at GE Capital. Its Deputy CEO is Piotr Krolikowski, who previously was among others Member of the Management Board of Provident Poland, Bank BPH and Deutsche Bank Poland as well as CEO of Nordea's Polish Pension Fund.

We estimate that in 2020 Aforti Exchange accounted for c. 98% of Aforti's total fee income. The reason were the problems of other business segments following the fraud at a large Polish vindication company GetBack in 2019 and the much stricter approach to regulation, which the Polish Financial Supervisory KNF took afterwards.

### Aforti Exchange vs. other popular Polish online currency exchanges

	EUR		USD		GBP	
	Buy	Sell	Buy	Sell	Buy	Sell
afortiexchange.pl**	4.5173	4.5325	3.6962	3.7113	5.2526	5.2701
Intraco - Warsaw	4.5200	4.5500	3.7100	3.7400	5.2200	5.2700
walutomat.pl	4.5269	4.5262	3.7055	3.7051	5.2655	5.2560
Santander Kantor Internetowy	4.5084	4.5406	3.6862	3.7183	5.2449	5.2773
cinkciarz.pl	4.5148	4.5341	3.6929	3.7105	5.2496	5.2702
kantor.alior.pl	4.5095	4.5395	3.6897	3.7144	5.2424	5.2778

\* FX rates are from May 18, 2021

\*\* without a wholesale rebate; all but Aforti Exchange and Intraco are focused on retail clients

Source: Company websites, East Value Research GmbH



**Debt collection**

Services relating to vindication or debt collection are provided by Aforti's subsidiary Aforti Collections S.A., which manages debt and buys and services respective portfolios. The subsidiary also offers legal and financial advice.

Aforti Collections is based in Lublin, but provides its services to clients Poland-wide. We estimate that in 2020 it accounted for only c. 0.3% of Aforti's total revenues.

**Factoring**

Since 2018, factoring services for SMEs have been provided by subsidiary Aforti Factor, which also offers legal advice and analyses. The company provides recourse and reverse factoring. Decisions are taken very quickly and pre-payments for invoices that are due in max. 90 days can reach 100%. The minimum value regarding the invoices/debt is PLN 100/PLN 150,000 and money is paid out in PLN, EUR or USD.

In the coming years, Aforti Factor plans to grow its transaction volumes multiple times through organic growth in Poland as well as acquisitions in Romania and Croatia.

We estimate that Aforti Factor accounted for c. 0.2% of Aforti's total revenues in 2020 and processed a total volume of purchased invoices worth PLN 27.3m.

**Aforti Finance**

Until 2020, Aforti had also been providing services relating to business loans for SMEs and micro enterprises. After problems with repayments to investors e.g. on such peer-to-peer platforms as Mintos or Vivento in 2019 and the GetBack scandal in Poland, which led to a much stricter regulation of non-bank financial companies, management decided to temporarily stop operations. Aforti still has to repay c. EUR 3m of peer-to-peer loans to investors of Mintos/Vivento within the next three years.

## **Management**

*Klaudiusz Sytek (CEO and founder):* Mr Klaudiusz Sytek is Aforti's CEO and its founder. Previously, he worked among others as loan inspector at PBK Bank, Managing Director of Corporate Banking at Getin Bank S.A., Managing Director at Raiffeisen Bank Polska and Member of the Board of Raiffeisen Financial Services Polska. Mr Sytek graduated with a Master's degree in Economics from the Poznan Business School. He also completed post-graduate studies in Law at the University of Warsaw and an MBA from National Louis University.

*Pawel Opoka (Vice President of the Management Board):* Mr Pawel Opoka is Vice President of the Management Board of Aforti S.A. and as such is in charge of sales. Previously, he worked at Deutsche Bank Polska, Allianz Bank Polska and Idea Bank. Mr Opoka graduated with a Master's degree in Accounting & Finance from the Higher School of Management and Banking in Krakow.

*Mateusz Niemczyk (Vice President of the Management Board):* Mateusz Niemczyk is Vice President of the Management Board of Aforti S.A. His previous work experience includes among others positions as Director of the Office for Structured Trade Finance Transactions at Citi Poland, Manager in charge of financing IT/Telco in Poland at Macquarie Capital and Managing Director in the area of Treasury at GE Capital Poland. Mr Niemczyk graduated with a Master's degree from the Warsaw Business School.

## Market environment

### Statistics regarding SMEs and micro enterprises in the EU

The European Union considers small and medium-sized enterprises (SMEs) as key to ensuring economic growth, innovation, job creation, and social integration. In the EU-28 (incl. United Kingdom), there were 23.5m SMEs in 2015, which represented 99% of all enterprises. They accounted for around 2/3 of total employment in the EU, ranging from 47% in the United Kingdom to 85 % in Malta. In Afortis' target markets in the CEE and SEE region, there were 4.9m companies with <250 employees, which generated a combined turnover of almost EUR 2.5tr per year.

### EU definition of SMEs and micro companies

Enterprise category	Persons employed	Turnover	Balance sheet total
Medium	<250	<= EUR 50m	<= EUR 43m
Small	<50	<= EUR 10m	<= EUR 10m
Micro	<10	<= EUR 2m	<= EUR 2m

Source: European Union, East Value Research GmbH

### Statistics regarding SMEs in different CEE/SEE countries

Market	Number of companies with <250 employees	Turnover (EURm)	Persons employed
<b>EU-28</b>	<b>23,500,341</b>	<b>27,309,775</b>	<b>137,444,935</b>
<b>Aforti's target countries</b>	<b>4,917,282</b>	<b>2,487,785</b>	<b>25,341,189</b>
Poland	1,606,559	921,350	8,652,063
Romania	458,122	263,366	3,898,199
Bulgaria	326,219	121,308	1,911,916
Croatia	146,637	77,670	989,598
Hungary	536,610	277,690	2,596,236
Czechia	1,001,048	444,231	3,591,896
Slovakia	429,524	180,476	1,502,912
Lithuania	186,468	73,997	934,440
Estonia	68,124	50,820	414,763
Latvia	109,642	51,304	633,450
Cyprus	48,329	25,573	215,716

Source: European Union, East Value Research GmbH

## Financing of SMEs in Europe

According to the paper "European SME financing: An overview" by Robert Clive Cressy and Christer Olofsson, smaller businesses have (a) lower fixed to total assets ratios; (b) a higher proportion of trade debt in total assets; (c) a much higher proportion of current liabilities/short-term debt to total assets; (d) are heavily reliant on retained profits to fund investment flows; (e) obtain the vast majority of additional financing from banks (with other sources very much less important); and (f) are financially more risky, as reflected in their relatively high debt-equity ratio and in their higher failure rates.

The Cologne Institute for Economic Research, which analysed the financing structure of European SMEs, found out that 45% of SMEs in the six Eastern European countries, which joined the EU in 2004 and 2007 (Bulgaria, Czechia, Hungary, Poland, Romania and Slovakia), were internally financed through retained profits. However, at the same time, these countries had the lowest share of flexible-debt-financed SMEs (9.8%) and a relatively low share of state-subsidized SMEs (6.3%) compared to other regions. Interestingly, the former socialist Baltic countries (Lithuania, Latvia, Estonia) differed from the above group in the sense that in their case mixed financing with equity & debt (23.7% share of SMEs) and financing from trade (22.6%) was most important.

When it comes to equity financing of companies, large companies and those that are based in countries with deep capital markets (Scandinavia, UK) are much more likely to use it than others. The depth of the capital market also impacts corporate debt financing. For example, in the US 80% of corporate lending depends on the capital market, while in the EU it is dominated by banks (90% share), which can lead to credit and liquidity shortages of companies during banking crises.

## Profit and loss statement

in PLNm	2019	2020	2021E	2022E	2023E	2024E
<b>Total fee income</b>	<b>1,036.53</b>	<b>1,010.42</b>	<b>1,513.73</b>	<b>1,740.47</b>	<b>2,001.18</b>	<b>2,300.97</b>
Cost of goods sold	-1,046.99	-1,020.94	-1,506.16	-1,705.66	-1,957.16	-2,245.75
<b>Gross margin</b>	<b>-10.46</b>	<b>-10.52</b>	<b>7.57</b>	<b>34.81</b>	<b>44.03</b>	<b>55.22</b>
Other operating income	0.50	0.93	0.95	0.97	0.99	1.01
Personnel costs	-8.51	-7.10	-10.64	-12.24	-14.07	-16.18
Other operating expenses	-10.45	-12.83	-16.83	-20.10	-16.98	-12.49
<b>EBITDA</b>	<b>-28.91</b>	<b>-29.52</b>	<b>-18.95</b>	<b>3.44</b>	<b>13.97</b>	<b>27.56</b>
Depreciation	-1.75	-1.49	-2.24	-2.57	-2.96	-3.40
<b>Operating income</b>	<b>-30.66</b>	<b>-31.01</b>	<b>-21.19</b>	<b>0.87</b>	<b>11.01</b>	<b>24.16</b>
Net financial result	19.36	31.96	30.46	20.46	17.46	14.46
Gain/loss from sale of shares	0.00	4.22	0.00	0.00	0.00	0.00
Write-down of goodwill	-1.59	-2.69	0.00	0.00	0.00	0.00
<b>EBT</b>	<b>-12.89</b>	<b>2.48</b>	<b>9.27</b>	<b>21.33</b>	<b>28.47</b>	<b>38.62</b>
Income taxes	2.73	-0.03	-1.76	-4.05	-5.41	-7.34
Minorities	10.40	1.26	0.85	0.35	-0.15	-0.35
<b>Net income / loss</b>	<b>0.24</b>	<b>3.72</b>	<b>8.36</b>	<b>17.63</b>	<b>22.91</b>	<b>30.94</b>
EPS	0.03	0.41	0.92	1.95	2.53	3.42
DPS	0.00	0.00	0.00	0.00	0.00	0.00
<b>Share in total sales</b>						
Total fee income	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Cost of goods sold	-101.01 %	-101.04 %	-99.50 %	-98.00 %	-97.80 %	-97.60 %
Gross margin	-1.01 %	-1.04 %	0.50 %	2.00 %	2.20 %	2.40 %
Other operating income	0.05 %	0.09 %	0.06 %	0.06 %	0.05 %	0.04 %
Personnel costs	-0.82 %	-0.70 %	-0.70 %	-0.70 %	-0.70 %	-0.70 %
Other operating expenses	-1.01 %	-1.27 %	-1.11 %	-1.15 %	-0.85 %	-0.54 %
EBITDA	-2.79 %	-2.92 %	-1.25 %	0.20 %	0.70 %	1.20 %
Depreciation	-0.17 %	-0.15 %	-0.15 %	-0.15 %	-0.15 %	-0.15 %
Operating income	-2.96 %	-3.07 %	-1.40 %	0.05 %	0.55 %	1.05 %
Net financial result	1.87 %	3.16 %	2.01 %	1.18 %	0.87 %	0.63 %
EBT	-1.24 %	0.25 %	0.61 %	1.23 %	1.42 %	1.68 %
Income taxes	0.26 %	0.00 %	-0.12 %	-0.23 %	-0.27 %	-0.32 %
Net income / loss	0.02 %	0.37 %	0.55 %	1.01 %	1.14 %	1.34 %

\* Aforti Holding uses Polish Accounting Standards

## Balance Sheet

in PLNm	2019	2020	2021E	2022E	2023E	2024E
Cash and equivalents	0.60	1.98	5.79	13.37	26.67	44.81
Shares/other assets in associated companies	22.01	63.17	64.43	65.72	67.04	68.38
Loans/other assets in external companies	78.14	65.09	55.33	47.03	39.97	33.98
Inventories	0.00	0.03	0.05	0.05	0.06	0.07
Trade accounts and notes receivables	3.36	1.17	2.88	4.60	6.76	9.48
Other current assets	46.42	66.17	59.55	53.60	48.24	43.41
<b>Current assets, total</b>	<b>150.52</b>	<b>197.62</b>	<b>188.03</b>	<b>184.36</b>	<b>188.74</b>	<b>200.13</b>
Property, plant and equipment	2.52	1.76	1.76	1.76	1.76	1.76
Other intangible assets	1.70	2.00	2.99	3.44	3.95	4.55
Goodwill	13.92	32.53	32.53	32.53	32.53	32.53
Long-term investments (shares, loans, other ass	4.52	0.28	0.29	0.29	0.30	0.30
Other long-term assets	7.62	4.40	4.49	4.58	4.67	4.76
Deferred tax assets	8.69	8.48	0.00	0.00	0.00	0.00
<b>Non-current assets, total</b>	<b>38.97</b>	<b>49.45</b>	<b>42.06</b>	<b>42.60</b>	<b>43.21</b>	<b>43.91</b>
<b>Total assets</b>	<b>189.49</b>	<b>247.07</b>	<b>230.09</b>	<b>226.96</b>	<b>231.95</b>	<b>244.04</b>
Trade payables	11.05	4.43	4.54	4.43	6.53	7.40
Other short-term liabilities	21.78	48.23	45.82	43.53	41.35	39.29
Short-term financial debt	38.37	60.91	0.00	0.00	0.00	0.00
Pension provision	0.00	0.00	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00	0.00	0.00
<b>Current liabilities, total</b>	<b>71.20</b>	<b>113.57</b>	<b>50.36</b>	<b>47.96</b>	<b>47.88</b>	<b>46.68</b>
Long-term financial debt	75.87	126.19	165.00	147.00	129.00	111.00
Pension provision	0.00	0.00	0.00	0.00	0.00	0.00
Other long-term liabilities	17.61	0.00	0.00	0.00	0.00	0.00
Deferred tax liabilities	0.17	0.09	0.00	0.00	0.00	0.00
<b>Long-term liabilities, total</b>	<b>93.65</b>	<b>126.28</b>	<b>165.00</b>	<b>147.00</b>	<b>129.00</b>	<b>111.00</b>
<b>Total liabilities</b>	<b>164.85</b>	<b>239.85</b>	<b>215.36</b>	<b>194.96</b>	<b>176.88</b>	<b>157.68</b>
<b>Shareholders equity, total</b>	<b>35.80</b>	<b>22.04</b>	<b>30.40</b>	<b>48.03</b>	<b>70.94</b>	<b>101.88</b>
Minority interests	-11.16	-14.82	-15.67	-16.02	-15.87	-15.52
<b>Total equity and debt</b>	<b>189.49</b>	<b>247.07</b>	<b>230.09</b>	<b>226.96</b>	<b>231.95</b>	<b>244.04</b>

\* Aforti Holding uses Polish Accounting Standards

## Cash Flow Statement

in PLNm	2019	2020	2021E	2022E	2023E	2024E
Net income / loss	0.24	3.72	8.36	17.63	22.91	30.94
Depreciation	1.75	1.49	2.24	2.57	2.96	3.40
Change of working capital	12.85	26.49	2.60	1.83	3.11	0.90
Others	-39.93	-65.98	-8.39	0.00	0.00	0.00
<b>Net operating cash flow</b>	<b>-25.09</b>	<b>-34.29</b>	<b>4.81</b>	<b>22.03</b>	<b>28.98</b>	<b>35.24</b>
<b>Cash flow from investing</b>	<b>-8.45</b>	<b>0.93</b>	<b>-3.23</b>	<b>-3.23</b>	<b>-3.02</b>	<b>-3.47</b>
Free cash flow	-33.55	-33.36	1.57	18.80	25.96	31.76
<b>Cash flow from financing</b>	<b>32.30</b>	<b>34.74</b>	<b>2.24</b>	<b>-11.22</b>	<b>-12.66</b>	<b>-13.61</b>
Change of cash	-1.25	1.38	3.81	7.58	13.30	18.15
Cash at the beginning of the period	0.00	0.60	1.98	5.79	13.37	26.67
Cash at the end of the period	0.60	1.98	5.79	13.37	26.67	44.81

## Financial ratios

	2019	2020	2021E	2022E	2023E	2024E
<b>Profitability and balance sheet quality</b>						
Gross margin	-1.01%	-1.04%	0.50%	2.00%	2.20%	2.40%
EBITDA margin	-2.79%	-2.92%	-1.25%	0.20%	0.70%	1.20%
EBIT margin	-2.96%	-3.07%	-1.40%	0.05%	0.55%	1.05%
Net margin	0.02%	0.37%	0.55%	1.01%	1.14%	1.34%
Return on equity (ROE)	1.35%	12.85%	31.89%	44.96%	38.52%	35.80%
Return on assets (ROA)	-10.09%	-11.43%	-9.61%	-1.25%	2.35%	6.75%
Return on capital employed (ROCE)	-20.43%	-23.00%	-9.55%	0.39%	4.84%	9.92%
Economic Value Added (in PLNm)	-41.90	-50.70	-44.10	-26.12	-18.67	-10.01
Net debt (in PLNm)	113.65	185.12	159.21	133.63	102.33	66.19
Net gearing	317.45%	840.01%	523.74%	278.23%	144.25%	64.97%
Equity ratio	18.89%	8.92%	13.21%	21.16%	30.58%	41.75%
Current ratio	2.11	1.74	3.73	3.84	3.94	4.29
Quick ratio	0.36	0.58	1.45	1.74	2.10	2.63
Net interest cover	-1.58	-0.97	-0.70	0.04	0.63	1.67
Net debt/EBITDA	-3.93	-6.27	-8.40	38.80	7.33	2.40
Tangible BVPS	-1.16	-0.24	1.71	4.25	7.67	12.15
Capex/Sales	1.92%	1.94%	0.21%	0.17%	0.17%	0.17%
Working capital/Sales	-0.06%	1.46%	0.80%	0.59%	0.36%	0.27%
Cash Conversion Cycle (in days)	-3	-1	-1	-1	0	0
<b>Trading multiples</b>						
P/Tangible BVPS	-5.98	-29.46	4.05	1.63	0.90	0.57
P/E	259.31	16.89	7.51	3.56	2.74	2.03
P/FCF	-1.87	-1.88	39.87	3.34	2.42	1.98

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