Vindexus S.A.

East Value Research

Price target: PLN 13.90 Initiating Coverage Rating: BUY

The Warsaw-based company Vindexus S.A. (VIN), which has been on the market since 1995, is one of the leading providers of debt management services in Poland. The company, which is family-owned, has increased its sales since 2012 at a CAGR of 13.8%, net income at 15.9% and the volume of managed debt at 7.5%. Due to its track record, the conservative business approach of its management and the high potential especially of the Polish segment related to debt collection for third parties, we expect that the company will continue to do well in the coming years. Vindexus has paid out a dividend each year since 2014 and there is also a share buyback program in place with a volume of up to 1.5m shares (12.8% of shares outstanding) at max. PLN 10 per share until 2027E. A recent tender offer at PLN 6.81/share by the Kuchno family, which wanted to take the company private, failed. Our 12-months PT (70% DCF, 30% peer group) of PLN 13.90 per share implies an upside of 70.4% and a BUY rating. At current level, Vindexus is trading at a P/Tangible BVPS = 0.4x and P/E 2023E = 6.5x. Its cash position as of 31 March 2023 corresponds to 59.5% of its current market cap.

Between 2012 and 2022, VIN has increased its revenues by 263.9% and net income by 338%. Last year, revenues reached PLN 115.8m (-7.8% y-o-y), cash EBITDA PLN 98.7m (+55.8%) and net income PLN 32.2m (-10.6%). The results were affected by uncertainty related to Ukraine war, strong debt collection and planned legal changes in Poland. In 2022, the company's ROE equalled 13.4% vs. 20.7% and 7% respectively for main local peers BEST and Kredyt Inkasso. In Q1/23, the decline slowed down on the bottom-line. Revenues were PLN 25.8m (-19% y-o-y), cash EBITDA PLN 19.4m (-23.7%) and net income PLN 4.1m (-2.1%). In Q1/23, net gearing only equalled 5.2% and 43.9% of interest-bearing debt was short term.

In Poland, the segment related to acquisition and management of debt portfolios is already well-developed, however the servicing of debt for third parties still offers significant growth potential. Despite very low leverage ratios and high profitability, Vindexus is currently the cheapest stock from the debt management sector in Poland.

in PLNm	2020	2021	2022	2023E	2024E	2025E
Net sales	50.75	125.61	115.83	102.61	111.17	120.45
EBITDA	17.02	69.21	43.21	23.49	25.29	27.22
EBIT	16.34	68.39	42.64	22.83	24.57	26.44
Net income	5.55	36.00	32.20	14.72	13.62	15.38
EPS	0.48	3.08	2.75	1.26	1.16	1.31
DPS	0.10	0.25	0.27	0.28	0.29	0.30
Dividend yield	1.23%	3.06%	3.31%	3.43%	3.55%	3.68%
RoE	2.94%	17.27%	13.40%	5.65%	5.02%	5.44%
Net gearing	30.37%	13.94%	10.40%	5.93%	9.75%	13.93%
EV/Sales	2.14x	0.87x	0.94x	1.06x	0.98x	0.90x
EV/EBITDA	6.39x	1.57x	2.52x	4.63x	4.30x	4.00x
P/E	17.0x	2.6x	3.0x	6.5x	7.0x	6.2x

Company profile

Vindexus S.A. is a family-owned Polish debt management company. It has been listed on the Warsaw Stock Exchange since 2009.

Date of publication	4 September 2023 / 6:30 am
Website	www.gpm-vindexus.pl
Sector	Debt Collection
Country	Poland
ISIN	PLVNDEX00013
Reuters	VIN.WA
Bloomberg	VIN PW

Share information

Last price	8.16
Number of shares (m)	11.70
Market cap. (PLNm)	95.47
Market cap. (EURm)	21.31
52-weeks range	PLN 8.22 / PLN 5.90
Average volume (shares)	8,156

Performance

4-weeks	11.17%
13-weeks	14.93%
26-weeks	27.10%
52-weeks	27.90%
YTD	32.47%

Shareholder structure

Jan Kuchno (CEO)*	42.43%
Marta Currit (daughter of the CEO)*	8.97%
Piotr Kuchno (Head of the Supervisory Board)*	8.83%
Julia Kuchno (Member of the Board)*	3.79%
Grazyna Jankowska-Kuchno*	0.15%
Treasury shares	0.46%
Free float	35.37%

* Shareholders' agreement since 13/06/2023 with the objective to take Vindexus private

Financial calendar

H1/23 report September 14, 2023

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Content

Investment Case

- Vindexus S.A. (VIN) is a leading Polish debt collection company with a track record since 1995. The company, whose controlling shareholder is the Kuchno family with a combined stake of 64.2%, buys debt through its own closed-end securitized funds mainly from banks and telecommunication companies at a discount of 15-30% and collects cash from the debtors over the next years. Another business segment is servicing debt portfolios of third-party securitized funds. In contrast to many of its competitors, Vindexus only pays reasonable prices and has a very cautious approach when it comes to revaluation of acquired debt portfolios. The debt portfolios, which Vindexus manages, are less complex than of its larger peers and have small debtors, who generate a recurring and reliable cash flow.
- While its business and share price were severely hit by the default of the major competitor GetBack in 2018, which in the years before paid extraordinarily high prices for debt in Poland, Vindexus has increased its debt portfolio from PLN 130.8m to currently PLN 256.3m since 2012. The collection is conducted by the company's own team. Although costs of financing and debt portfolios have gone up significantly in the recent past, Vindexus has managed to maintain strong profitability and to significantly lower its net gearing.
- According to the 2022 presentation of Polish market leader KRUK, at the end of 2022 the value of non-regular debt in Polish banks equalled PLN 64bn compared to PLN 69bn in the previous year. The value of non-regular secured consumer debt went down by 6% y-o-y to PLN 27bn. Of the total PLN 2bn primary and secondary investments in debt in 2022, 77% was consumer unsecured debt. Due to a record-low unemployment of just 2.8% according to Eurostat, which is forecast to remain at a similar level in 2024E, the payment practice of Polish debtors remains strong.
- In 2012-2022, Vindexus has increased its revenues at a CAGR of 13.8%, while the volume of debt portfolios and net income grew by 7.5% and 15.9% on average. Last year, ROE reached 13.4%. Like in full-year 2022, in Q1/23 the company's revenues were negatively affected by uncertainty related to the impact of planned legal changes in Poland on the business of the whole debt collection sector. While revenues declined by 19.2% y-o-y to PLN 25.8m and cash EBITDA by 23.7% to PLN 19.4m, EBIT (22.5% vs. 18.7% in Q1/22) and net margin (15.9% vs. 13.2%) significantly improved. At the end of March 2023, Vindexus had a healthy equity ratio of 73.1% and net gearing of 5.2%.
- We initiate coverage of Vindexus S.A. with a 12-months PT (70% DCF, 30% peer group) of PLN 13.90 per share, which implies an upside of 70.4% at present. We like Vindexus' track record, long experience on the Polish market and the fact that it is family-owned and has been paying dividends since 2014. Also, on June 13 the shareholders' agreement of the Kuchno family announced that it will continue to buy shares to finally take Vindexus private, which should support the company's share price in the coming months. While VIN is currently trading at a P/BVPS of 0.4x and EV/Sales 2023E of 1.06x, M&A transactions in the sector have been conducted at P/BVPS and EV/Sales multiples of up to 4.8x and 2x respectively in the last years. Vindexus' trailing EV/cash EBITDA multiple based on Q1/23 results equals 5.6x and is very attractive compared its local peers KRUK (21.8x) and BEST (18.7x).

SWOT Analysis

Strengths

- Leading provider of debt collection services in Poland with a track record of 28 years
- Controlled by the Kuchno family, which owns 64.2% of the shares
- Conservative approach when it comes to both acquisition of new debt and the revaluation of existing debt portfolios
- Average growth of revenues, net income and debt portfolio of 13.8%, 15.9% and 7.5% respectively since 2012
- Very solid leverage ratios, especially compared to peers
- 10 years of uninterrupted dividend payouts
- Share buyback program of max. PLN 15m until 2027E

Weaknesses

- Weak communication with capital market participants and transparency leads to relatively high financing costs
- Relatively weak level of digitalisation, especially compared to the Polish market leader KRUK
- Strange shareholdings, which do not have anything to do with Vindexus' core business e.g. the property developer Fiz-Bud
- Conservative business approach of its management limits the company's growth prospects

Opportunities

- Shareholder's agreement between the members of the Kuchno family, with the final objective to take Vindexus private
- Investments in digitalisation and automation
- Lower financing costs from H2/23, when the Polish central bank could start reducing its reference rate
- There is growing conolidation in Vindexus' industry due to increasing regulatory pressure and the company's stock is currently cheap by every measure

Threats

- Risks relating to planned changes of regulations, which may hit especially smaller players with less cost-efficient processes
- Market potential of the segment related to collection of own debt is limited in Poland. Only management for third-parties offers growth potential
- Difficulties to obtain financing
- Intensifying competition, which leads to higher prices of debt portfolios

Valuation

We have valued Vindexus by using a weighted average of our DCF model (70%) and peer group (30%). Our approach, which accounts for 59k of treasury shares, derives a 12-months price target for the stock of PLN 13.90. We rate the stock a BUY.

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 5.78% (Source: www.boerse-stuttgart.de)

(2) *Beta*: Average 4-year unlevered beta of companies from the Financial Services (Non-Bank & Insurance) of 0.41x

(3) *Levered beta*: 0.49x

(4) *Equity risk premium (Poland)*: 7.40% (Source: www.damodaran.com)

(5) *Target equity ratio*: 80%

(6) *After-tax costs of debt*: 10%

(7) *Equity costs*: 9.4%

(7) *WACC*: 9.5%

(8) *Sales growth in the terminal period*: 2%

(9) Free cash flows and residual values are discounted to September 3, 2023

DCF model

in PLNm	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Net sales	**102.61**	**111.17**	**120.45**	**127.08**	**134.09**	**141.44**	**145.02**	**148.71**	**152.52**
(y-o-y change)	-11.4%	8.3%	8.3%	5.5%	5.5%	5.5%	2.5%	2.5%	2.6%
EBIT	**22.83**	**24.57**	**26.44**	**27.67**	**29.01**	**30.41**	**30.98**	**31.54**	**32.10**
(EBIT margin)	22.2%	22.1%	21.9%	21.8%	21.6%	21.5%	21.4%	21.2%	21.0%
NOPLAT	**22.72**	**19.90**	**21.42**	**22.41**	**23.50**	**24.64**	**25.09**	**25.55**	**26.00**
+ Depreciation & amortisation	0.66	0.72	0.78	0.82	0.87	0.92	0.94	0.96	0.99
= Net operating cash flow	23.38	20.62	22.20	23.23	24.37	25.55	26.03	26.51	26.99
- Total investments (Capex and WC)	-0.51	-23.62	-25.54	-17.51	-18.41	-19.36	-8.57	-8.77	-8.96
Capital expenditure	-1.38	-0.14	-0.14	-0.15	-0.15	-0.15	-0.15	-0.15	-0.15
Working capital	0.87	-23.48	-25.40	-17.36	-18.27	-19.21	-8.43	-8.62	-8.81
= Free cash flow (FCF)	22.87	-3.00	-3.35	5.72	5.95	6.20	17.46	17.74	18.02
PV of FCF's	**22.20**	**-2.66**	**-2.71**	**4.23**	**4.01**	**3.81**	**9.81**	**9.10**	**8.44**

PV of FCFs in explicit period	56.22
PV of FCFs in terminal period	124.07
Enterprise value (EV)	**180.30**
+ Net cash / - net debt (31 March 2023)	-13.33
+ Investment / - minorities	-0.71
Shareholder value	**166.25**
Number of shares excl. own shares (m)	**11.65**
WACC	**9.5%**
Cost of equity	9.4%
Pre-tax cost of debt	12.4%
Normal tax rate	19.0%
After-tax cost of debt	10.0%
Share of equity	80.0%
Share of debt	20.0%
Fair value per share in PLN (today)	**14.28**
Fair value per share in PLN (in 12 months)	**15.64**

WACC \ Terminal EBIT margin	**18.0%**	**19.0%**	**20.0%**	**21.0%**	**22.0%**	**23.0%**	**24.0%**
5.5%	32.41	34.54	36.67	38.80	40.94	43.07	45.20
6.5%	24.48	26.02	27.55	29.09	30.63	32.17	33.70
7.5%	19.44	20.61	21.77	22.94	24.10	25.27	26.44
8.5%	15.97	16.88	17.79	18.71	19.62	20.54	21.45
9.5%	13.43	14.17	14.90	**15.64**	16.37	17.11	17.84
10.5%	11.51	12.11	12.71	13.32	13.92	14.52	15.12
11.5%	10.01	10.51	11.01	11.51	12.01	12.51	13.01

Source: East Value Research GmbH

Peer Group Analysis

We have found the following listed companies, which operate in the same segment as Vindexus. M&A transactions in the sector, which have been conducted in the last years, had an implied valuation of up to 2x sales and 4.8x book value.

Vindexus operates in the second tier of the Polish market, where debt portfolios are much less complex and it rather competes with smaller players, especially BEST S.A. and Kredyt Inkaso S.A..

Listed companies:

(1) *KRUK S.A.*: KRUK, which is based in Wroclaw/Poland and was founded in 1998, provides debt management services in Poland, Romania, Italy, the Czech Republic, Slovakia, Germany, and Spain. It purchases and manages debt portfolios, including consumer, mortgage-backed, and corporate debts; and offers (through the subsidiaries Wonga and Novum) consumer unsecured, mortgage, and SME/corporate loans, as well as credit management services. The company manages receivables of banks, loan brokers, insurers, leasing companies, landline and mobile telecommunications operators, cable TV operators, digital TV operators, and FMCG companies. KRUK employs >3,200 people, thereof >200 in IT.

In 2022, KRUK, which currently has a market cap of PLN 7.7bn, generated revenues of PLN 1.5bn and a ROE of 24.7%. Last year, it acquired PLN 2.3bn of new debt (80% abroad due to more attractive yields there) and had a cash inflow from debt collection of PLN 2.6bn (thereof: 53% from abroad). At the end of June 2023, its debt portfolio was worth PLN 7.4bn.

According to our discussions with KRUK's representatives, in its domestic market, where it has an estimated market share of 25%, the company only competes with the largest European players e.g. Hoist, Intrum.

(2) *BEST S.A.*: BEST, which is based in Gdynia, operates in the Polish and Italian debt collection industry and provides respective services for banks, borrowing companies, telecommunication operators, utilities, among others. In addition, it manages securitized assets of respective funds. BEST is owned by its CEO and Vice President of the Board, who together have 95.3% of its shares.

In 2022, the company, which currently has a market cap of PLN 477.2m, generated revenues of PLN 264.5m and a ROE of 20.7%. Last year, it reported a cash inflow from debt collection of PLN 420m and increased its debt portfolio by PLN 132m (the nominal value of acquired debt equalled PLN 522m). At the end of March 2023, its debt portfolio was worth PLN 1.19bn (Q1/22: PLN 996.4m).

(3) *Kredyt Inkasso S.A.*: Kredyt Inkasso, which is based in Warsaw, is owned by the Dutch private equity fund Waterland Private Equity. Its competitor BEST S.A. has a 33.1% stake. The company provides debt management services in Poland, Russia, Croatia, Romania and Bulgaria. It offers payment monitoring and debt collection services relating to court and enforcement procedures. Its clients include banks, insurances and Telco companies.

In 2022/23, Kredyt Inkasso generated revenues of PLN 218.7m. In the last fiscal year, it reported a cash inflow from debt collection of PLN 196.3m and bought new debt portfolios worth PLN >132m. At the end of Q1 2023/24, it had a total debt portfolio worth PLN 644.7m. The company's current market cap equals PLN 144.5m.

(4) *Hoist Finance AB:* Hoist Finance, which is based in Stockholm/Sweden, acquires and manages Non-Performing Loans (NPL) in Europe. The company also provides current account and fixed-terms deposits.

In 2022, Hoist Finance generated revenues of SEK 2.6bn. Last year, it bought debt portfolios worth SEK 6.9bn and had a cash inflow from debt collection of SEK 7.5bn. At the end of H1/23, the company had a total debt portfolio worth SEK 23.8bn. Hoist's current market cap equals SEK 2.6bn.

(5) *Intrum AB*: Intrum, which is headquartered in Stockholm/Sweden, offers credit optimisation services and debt collection, monitoring and purchase services. The company operates in 25 countries and is the European leader in its sector.

In 2022, Intrum generated revenues of SEK 19.5m. Last year, it reported debt collections of SEK 13.4bn and bought debt portfolios worth SEK 7.4bn. At the end of H1/23, it had a total debt portfolio worth SEK 41bn. The company's current market cap equals SEK 8.3bn.

(6) *Banca IFIS S.p.A*: Banca IFIS, which is based in Mestre/Italy and has a banking license, provides purchase/management services related to Non-Performing Loan portfolios, among others. In 2022, Banca IFIS generated revenues of EUR 601.8m and reported debt collections of EUR 383.4m. At the end of H1/23, it had a total debt portfolio worth EUR 10.1bn. The company's current market capitalisation equals EUR 851.6m.

(7) *Credit Corp Group Ltd.*: Credit Corp Group, which is based in Sydney/Australia, was founded in 2022 and provides debt ledger purchase and collection, and consumer lending services in Australia and the United States. In 2022/23, it generated revenues of AUD 394.7m. At the end of 2022/23, it had a total debt portfolio worth AUD 1bn. The company's current market cap equals AUD 1.5bn.

(8) *Axactor ASA*: Axactor, which is based in Oslo/Norway, is a debt management and collection company with operations in Sweden, Finland, Germany, Italy, Norway, and Spain. It operates through two segments: Non-performing Loans and Third-Party Collection. The Non-performing Loans segment invests in portfolios of non-performing loans collected through amicable or legal proceedings. The Third-Party Collection segment provides debt collection services on behalf of third-party clients.

In 2022, Axactor generated revenues of NOK 2.6bn and acquired new portfolios worth NOK 288m. At the end of H1/23, the company had a total debt portfolio worth NOK 1.2bn. The company's current market cap equals NOK 1.7bn.

	P/E		P/BVPS	ROE	Net debt/EBITDA	Net interest cover	Net gearing
Company	**2023E**	**2024E**	**Latest**	**Last FY**	**Last FY**	**Last FY**	**Latest**
KRUK S.A. (PLN)	8.7x	8.5x	2.2x	24.7%	2.9x	7.0x	111.9%
BEST S.A. (PLN)	n.a	n.a	0.7x	20.7%	1.8x	6.3x	58.6%
Kredyt Inkaso S.A. (PLN)	n.a	n.a	0.4x	7.0%	n.a	1.8x	-106.3%
Hoist Finance (SEK)	5.2x	n.a	0.4x	10.3%	0.7x	n.a	75.1%
Intrum Justizia (SEK)	6.7x	4.9x	0.4x	neg	7.8x	2.5x	305.8%
Banca IFIS SpA (EUR)	5.5x	5.2x	0.5x	8.9%	n.a	n.a	318.2%
Credit Corp Group Ltd. (AUD)	15.1x	13.6x	1.8x	13.6%	n.a	n.a	33.8%
Axactor ASA (NOK)	4.2x	3.9x	4.0x	8.6%	0.7x	1.9x	223.6%
Median	**6.1x**	**5.2x**	**0.6x**	**10.3%**	**1.8x**	**2.5x**	**93.5%**
Vindexus S.A. (PLN)	6.5x	7.0x	0.4x	13.4%	0.3x	4.8x	5.2%
Premium/Discount	***6.3%***	***33.5%***	***-38.2%***				
Fair value Vindexus (PLN)	**9.00**						

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

<u>M&A transactions in the sector:</u>

Closing year	Target	Buyer	Stake	Price	Implied EV/Sales	Implied P/E	Implied P/BVPS
2021	Arrow Group Global PLC	TDR Capital LLP	100.0%	GBP 545.4m	2x	35.2x	4.8x
2022	Collection House Ltd.	Credit Corp Group Ltd.	100.0%	USD 7.6m	1.6x	n.a	n.a
2016	Kredyt Inkasso S.A.	Waterland Private Equity	61.2%	PLN 25/share	n.a	8.9x	1.2x

Source: CapitalIQ, East Value Research GmbH

Price target calculation

Valuation method	Fair value	Weight
DCF model	14.28	70%
Peer Group Analysis	9.00	30%
Weighted average (present value)	**12.69**	
In 12-months (PV * (1+WACC))	**13.90**	

Source: East Value Research GmbH

Q1/23 results

Revenues and Profitability

In Q1/23, Vindexus generated revenues of PLN 25.8m (-19% y-o-y), of which 100% stemmed from Poland. The main reason for the decline were 81.5% lower revenues from management of debt portfolios for third parties, with whom the company has signed agreements. Other revenues relate to the 89.6% shareholding in the property developer Fiz-Bud Sp. z.o.o.

Between January and March 2023, the cash inflow from debt collection equalled PLN 36.5m, which corresponds to a 0.8% decline y-o-y.

in PLNm	Q1/23	Q1/22
Management of own portfolios	**23.10**	**17.47**
Share in total sales	*89.4%*	*54.8%*
EBIT margin	25.0%	31.6%
Management of third-party portfolios	**2.67**	**14.41**
Share in total sales	*10.3%*	*45.2%*
EBIT margin	0.7%	3.0%
Other revenues*	**0.06**	**0.00**
Share in total sales	*0.2%*	*0.0%*
EBIT margin	50.0%	0.0%
Net sales	**25.83**	**31.89**

* mainly relates to subsidiary Fiz-Bud Sp. z.o.o, which constructs and renovates buildings

Source: Company information, East Value Research GmbH

in PLNm	Q1/23	Q1/22	change y-o-y
Net sales	**25.83**	**31.89**	-19.0%
Cash EBITDA*	**19.40**	**25.43**	-23.7%
EBITDA	**5.99**	**6.12**	-2.1%
EBITDA margin	*23.2%*	*19.2%*	
EBIT	**5.82**	**5.95**	-2.1%
EBIT margin	*22.5%*	*18.7%*	
Net income	**4.12**	**4.20**	-2.1%
Net margin	*15.9%*	*13.2%*	

* EBITDA + sales from acquired debt portfolios + cash from acquired debt portfolios

Source: Company information, East Value Research GmbH

The main reason, why EBIT declined much less than revenues, was a lower share of direct costs related to debt management (69.3% vs. 74.4% in Q1/22). Among others, they include court notification fees and expenses for bailiffs. Vindexus employs external consultants for legal analyses and updating creditor data.

Net income, which like the operating income declined by 2.1% y-o-y, was additionally positively impacted by a tax refund of PLN 311k (Q1/22: tax payment of PLN 230k).

In Q1/23, cash EBITDA equalled PLN 19.4m (Q1/22: PLN 25.4m).

Balance sheet and Cash flow

At the end of March 2023, Vindexus had consolidated equity excl. minorities worth PLN 258.6m, which corresponds to an equity ratio of 73.1%. The second-largest balance sheet position was acquired debt at amortized costs, which amounted to PLN 256.3m. At the end of 2022, it equalled PLN 269.1m.

Fixed assets amounted to PLN 12.2m and intangible assets to PLN 168k, of which PLN 162k was goodwill that relates to subsidiary Fiz-Bud Sp. z.o.o. Shares in associated companies equalled PLN 640k and related to Vindexus' 30% and 25% stake in Eurea Sp. z.o.o and Pollease Sp. z.o.o. that both are consolidated at-equity. Other shareholdings e.g. a 8.33% stake in an insurance company and 6.34% stake in a producer of cranes were worth PLN 2.7m. Inventories of PLN 3.3m related almost completely to the shareholding Fiz-Bud Sp. z.o.o.

On the liabilities side, interest-bearing debt equalled PLN 70.1m, thereof 43.9% short term. Net debt equalled PLN 13.3m and net gearing 5.2%. At the end of 2022, net debt amounted to PLN 26.5m, while only in 2019 it totalled PLN 92.2m.

Between January and March 2023, Vindexus generated an operating cash flow of PLN 16.5m compared to PLN 10.5m in Q1/22. The main reasons were a higher cash inflow from debt (PLN 12.8m vs. PLN 8.5m in Q1/22) and lower decrease of liabilities (PLN 945k vs. PLN 9.2m). Cash flow from investing equalled PLN -1.4m (Q1/22: PLN 127k) and cash flow from financing PLN -575k (PLN -22k). Between January and March 2023, Vindexus cash position increased by PLN 14.6m to PLN 56.8m.

As the table below shows, at 10.15%-14.01% the interest rate of Vindexus' bonds is relatively high e.g. compared to one of its main Polish peers BEST S.A.

Overview over Vindexus' issued bonds

Instrument	Issue date	Due date	Nominal value	Nominal interest rate	Effective interest rate
Bond B2 series	06.05.2019	06.05.2023-06.05.2025	PLN 13.75m	WIBOR 6M + 6.45%	12.95%
Bond F2 series	08.06.2021	09.12.2023-09.12.2024	PLN 15m	WIBOR 6M + 5.5%	12.38%
Bond G2 series	16.06.2021	16.12.2023-16.12.2024	PLN 6m	WIBOR 6M + 5.5%	11.53%
Bond H2 series	30.06.2021	30.06.2023-20.06.2025	PLN 15.8m	WIBOR 6M + 5.5%	14.01%
Bond I2 series	09.08.2022	28.07.2023-30.07.2026	PLN 12m	9.90%	10.15%
Bond K2 series	21.12.2022	21.06.2021	PLN 4.7m	12.00%	12.43%

Source: Vindexus' Q1/23 report, East Value Research GmbH

Overview over BEST' issued bonds

Instrument	Issue date	Due date	Nominal value	Nominal interest rate
Bond U	18.02.2021	15.02.2024	PLN 20m	WIBOR 3M + 3.75%
Bond W1	06.08.2021	23.07.2026	PLN 10.7m	4.40%
Bond W2	26.10.2021	08.10.2026	PLN 10m	WIBOR 3M + 4.2%
Bond W3	17.03.2022	07.03.2027	PLN 10.5m	WIBOR 3M + 4%
Bond Y	18.02.2022	17.02.2026	PLN 10m	WIBOR 3M + 3.85%
Bond Z1	30.12.2022	20.12.2026	PLN 13.5m	WIBOR 3M + 4.5%
Bond Z2	29.03.2023	14.03.2027	PLN 11.2m	WIBOR 3M + 4.5%

Source: BEST Q1/23 report, East Value Research GmbH

Financial forecasts

Revenues and Profitability

Given its track record and conservative approach towards purchasing of new debt portfolios and valuation of them, we are optimistic that Vindexus will continue to grow profitably in the coming years. While the debt purchasing segment is already well-developed in Poland, the segment debt management for third parties still offers growth potential.

In our view, it is a pity that management does not seem to have an interest in international expansion as it would allow it to accelerate growth and generate a higher ROE. Also, it does not care about investors and the valuation of Vindexus' stock, which would help it to raise cheaper funding on public markets. Also, there is a risk related to regulatory changes in Poland aimed at improving consumer protection, which according to our sector research are supposed to become law at the end of this year and will likely increase costs of operation.

On June 13, the Kuchno family announced that it had created a shareholders' agreement and it would buy more shares from the market to eventually take Vindexus private. This should support the share price in the coming months. Based on trading multiples, Vindexus is that cheap that for us it seems likely that the company will also attract interest from competitors soon, especially as the regulatory changes will further increase the consolidation pressure in Poland.

Below are our detailed estimates for Vindexus' segments:

Management of own portfolios: This segment relates to the collection of debt that Vindexus acquires itself and has on its balance sheet. Its revenues are comprised of interest on the acquired debt portfolios and revaluations that stem from better-than-expected recovery of debt.

We have modelled the revenues of this segment based on the ratio of recoveries to revenues. For 2023E, we have assumed a ratio of 60.2% and 2% higher cash recoveries y-o-y, in-line with the growth of purchased receivables. Thus, we arrive at a revenue forecast of PLN 90.6m, which is 1.7% below last year. We expect that by 2031E the recoveries-to-revenues ratio will remain unchanged and the cash recoveries will increase at a CAGR of 4.6%.

Regarding EBIT margin, we have estimated a value of 25% in full-year 2023E based on Q1/23 figures. In our view, profitability of this segment will go down in the future as it is already well-developed in Poland and competition is fierce.

We would like to emphasize that our estimates would likely be higher if Vindexus decided to be more aggressive on debt purchases and expanded abroad.

Management of external portfolios: This segment relates to the management of debt portfolios, for which Vindexus has been commissioned by third parties e.g. banks. The respective revenues are based on a success fee, which the company receives for each recovered cash flow. Unfortunately, Vindexus does not provide any details about the volume of managed debt and the average success fee it receives.

Due to the weak Q1/23 we have assumed that in 2023E revenues will decline by 11% y-o-y to PLN 11m at an EBIT margin of 0.7%. However, in the following years we believe that they will grow at a higher rate than those related to management of own debt (8.4% vs. 4.6%) as debt servicing for third parties is much less developed in Poland than abroad. Regarding the EBIT margin, we believe that it will reach 1% in the long run compared to 0.4% in 2022.

Other revenues: We expect that revenues of this segment, which relate to Vindexus' consolidated non-core shareholdings, will increase from PLN 1m in 2023E at a CAGR of 7.5% in the coming years. The EBIT margin should remain at 9.5-10%.

in PLNm	2023E	2024E	2025E
Management of own portfolios	**90.61**	**97.86**	**105.69**
(% of net sales)	*88.3%*	*88.0%*	*87.7%*
EBIT margin	25.0%	24.9%	24.8%
Cash recoveries (in PLNk)	150,644	162,695	175,711
Recoveries-to-revenues	60.2%	60.2%	60.2%
Management of external portfolios	**11.00**	**12.21**	**13.55**
(% of net sales)	*10.7%*	*11.0%*	*11.3%*
EBIT margin	0.7%	0.8%	0.8%
Other revenues	**1.00**	**1.10**	**1.21**
(% of net sales)	*1.0%*	*1.0%*	*1.0%*
EBIT margin	10.0%	10.0%	9.9%
Net sales	**102.61**	**111.17**	**120.45**
(change y-o-y)	-11.4%	8.3%	8.3%

Source: East Value Research GmbH

in PLNm	2023E	2024E	2025E
Net sales	**102.61**	**111.17**	**120.45**
EBITDA	**23.49**	**25.29**	**27.22**
EBITDA margin	*22.9%*	*22.7%*	*22.6%*
EBIT	**22.83**	**24.57**	**26.44**
EBIT margin	*22.2%*	*22.1%*	*21.9%*
Net income	**14.72**	**13.62**	**15.38**
Net margin	*14.3%*	*12.3%*	*12.8%*

Source: East Value Research GmbH

in PLNm	Q1/20	Q2/20	Q3/20	Q4/20	*2020*	Q1/21	Q2/21	Q3/21	Q4/21	*2021*
Net sales	**10.02**	**17.66**	**18.03**	**5.06**	***50.75***	**22.51**	**24.63**	**26.42**	**52.04**	***125.61***
y-o-y change	*-2.4%*	*33.7%*	*32.7%*	*-51.0%*	*7.1%*	*124.8%*	*39.5%*	*46.6%*	*928.7%*	*147.5%*
EBITDA	**2.06**	**3.07**	**5.50**	**6.39**	***17.02***	**8.42**	**10.86**	**11.72**	**38.22**	***69.21***
EBITDA margin	*20.5%*	*17.4%*	*30.5%*	*126.4%*	*33.5%*	*37.4%*	*44.1%*	*44.3%*	*73.4%*	*55.1%*
EBIT	**1.90**	**2.90**	**5.33**	**6.21**	***16.34***	**8.22**	**10.67**	**11.53**	**37.97**	***68.39***
EBIT margin	*18.9%*	*16.4%*	*29.6%*	*122.7%*	*32.2%*	*36.5%*	*43.3%*	*43.6%*	*73.0%*	*54.4%*
Net income	**0.73**	**1.01**	**2.77**	**1.04**	***5.55***	**6.78**	**9.24**	**7.03**	**12.96**	***36.00***
Net margin	*7.3%*	*5.7%*	*15.3%*	*20.5%*	*10.9%*	*30.1%*	*37.5%*	*26.6%*	*24.9%*	*28.7%*

in PLNm	Q1/22	Q2/22	Q3/22	Q4/22	*2022*	Q1/23
Net sales	**31.89**	**27.07**	**22.64**	**34.24**	***115.83***	**25.83**
y-o-y change	*41.6%*	*9.9%*	*-14.3%*	*-34.2%*	*-7.8%*	*-19.0%*
EBITDA	**6.12**	**11.64**	**7.87**	**17.59**	***43.21***	**5.99**
EBITDA margin	*19.2%*	*43.0%*	*34.7%*	*51.4%*	*37.3%*	*23.2%*
EBIT	**5.95**	**11.53**	**7.72**	**17.44**	***42.64***	**5.82**
EBIT margin	*18.7%*	*42.6%*	*34.1%*	*50.9%*	*36.8%*	*22.5%*
Net income	**4.20**	**7.41**	**6.14**	**14.44**	***32.20***	**4.12**
Net margin	*13.2%*	*27.4%*	*27.1%*	*42.2%*	*27.8%*	*15.9%*

Source: Company information, East Value Research GmbH

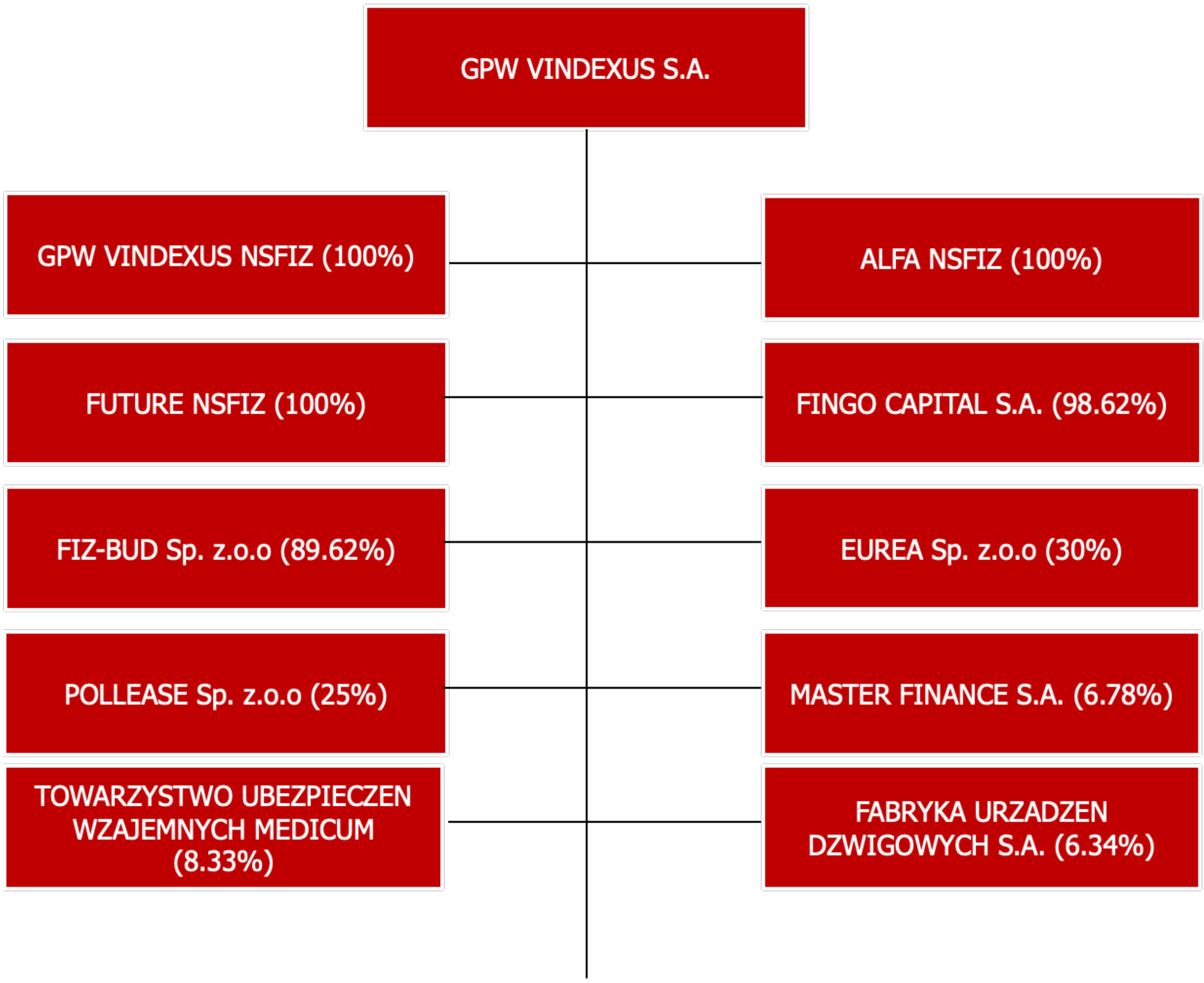
CAPEX and Working capital

Vindexus is a company, whose business model only requires investments in new debt portfolios that are part of its working capital. We have assumed that in 2023E the cash conversion cycle will reach 46 days and will increase to 60 days in the long run.

Business description

GPM Vindexus S.A., which is based in Warsaw, was founded in 1995 and is a leading player on the Polish management and collection market related to consumer debt, whose recovery its previous owners regarded as too difficult or too expensive. The company manages non-performing and performing loans of own securitized funds and provides debt collection services for third parties. The Group comprises 5 fully-consolidated subsidiaries: GPM Vindexus NSFIZ (Non-Standardized Securitized Closed-End Fund), Future NSFIZ, Alfa NSFIZ and the companies Fiz-Bud Sp. z.o.o. and Fingo Capital S.A.. Vindexus currently has 112 employees and has been listed on the Warsaw Stock Exchange since 2009.

Company structure



Source: Company information, East Value Research GmbH

Company history

1995: Start of operations by Vindexus.

1998: Change to a joint-stock company.

2002: GPM Vindexus S.A. conducts the first purchase of a large portfolio of bank debt.

In 2003-2005, the company bought debt portfolios with a total value of PLN 60m.

2007: The Polish Financial Supervisor (KNF) approves the non-standardized securitized closed-end fund GPM Vindexus NSFIZ. Vindexus owns 100% of its investment certificates and is the only manager of its debt portfolios.

2009: IPO on the Warsaw Stock Exchange.

2011: KNF allows Vindexus to manage debt of third-party securitized funds.

KNF grants approval to Mebis TFI S.A. to create the closed-end securitized fund Future NSFIZ, which today is also 100%-owned by Vindexus.

2016: Acquisition of 100% in Adimo Egze S.A., the owner of the closed-end securitized fund Alfa NSFIZ.

2020: GPM Vindexus buys 98.5% of the provider of small loans Fingo Capital S.A. and 89.62% in the property developer Fiz-Bud Sp. z.o.o.

Vindexus's business segments

Vindexus S.A. manages own debt portfolios (79.6% of total revenues in 2022) and for third parties (10.6%). The remaining revenues (9.8% in 2022) mainly stem from Fiz-Bud Sp. z.o.o.

When it comes to debt management, the whole process starts with the so-called securitization. Thereby, debt – usually consumer loans & mortgages from banks, overdue invoices from Telco companies or utilities – are sold in a tender to a Special Purpose Vehicle (SPV). In Poland, a SPV will typically be a non-standardized securitized closed-end fund (NSFIZ) that is managed by a mutual fund company (Polish TFI) and approved by the financial supervisor. This closed-end fund must have a track record as well as sufficient personal and capital to be able to buy and service the debt.

If Vindexus wants to buy the debt portfolios for sale, it will do so through one of its own NSFIZ. Vindexus S.A.'s role is that of an evaluator of the respective debt portfolios, provider of financing – usually bonds that are guaranteed by certificates of its NSFIZ – and collector of debt payments. Before taking the decision regarding the acquisition of a certain debt portfolio, the company's team will conduct a due diligence.

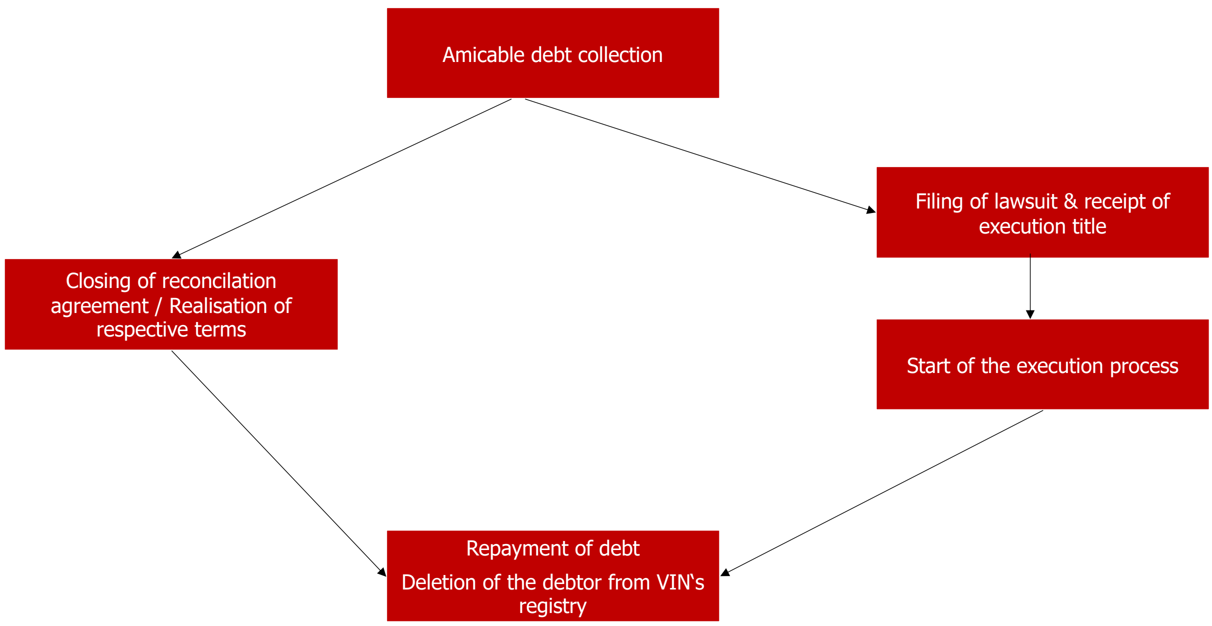
Vindexus' debt investments and recoveries in 2020-2022

in PLNm	2022	2021	2020
Banks	2.42	3.12	2.08
Telcos	0.37	1.85	3.66
Others	61.87	27.50	16.76
Total investments	**64.65**	**32.48**	**22.49**
Total recoveries	**147.69**	**107.68**	**100.69**
Recoveries-to-investments	**2.3x**	**3.3x**	**4.5x**

Source: Company information, East Value Research GmbH

Vindexus' team of lawyers prioritizes reconciliation agreements as they guarantee a fast and relatively cheap completion of the debt repayment process. If a reconciliation agreement is not possible, Vindexus will use all legal means against the debtor incl. mentioning him in the respective credit databases.

Description of the debt management process



Sources: Company information, East Value Research GmbH

In the segment “Management of own debt portfolios”, Vindexus makes money on the difference between the purchase price of its debt portfolios and their nominal value. In the recent past, it has mainly bought new debt from banks and Telco companies. In case it manages debt for external parties, it generates revenues through a – we believe - small single-digit success fee on every cash flow on the debt.

In the past, Vindexus’ management has been very conservative and cautious when it comes to purchasing new debt portfolios. Both quality and price are very important factors for it.

Management

Jan Piotr Kuchno (CEO): Mr Jan Piotr Kuchno has been with Vindexus from the start. Between 1995 and 2002, he was the company's CEO, then until 2016 the Head of its Supervisory Board. Since 2016, he has been CEO again and is currently also Member of the Supervisory Board of Mebis TFI S.A. Mr Kuchno graduated from the Technical University in Warsaw from the Mechanical Energy and Aviation department. In addition, he completed post-graduate studies in Financial and Management Accounting at the Warsaw Business School.

Artur Zdunek (Member of the Board): Mr Artur Zdunek has been with Vindexus since 1999, first as specialist in the debt collection department, then as its director. Since 2006, he has been Managing Director and since 2019 Member of the Management Board. Between 2010 and 2017, he was also CEO of Adimo Egze S.A. Mr Zdunek graduated in Administration at the University of Warsaw and completed an MBA at the Kozminsky University.

Andrzej Jankowski (Member of the Board): Mr Andrzej Jankowski has been with Vindexus since 2015, first as Business Analyst. Between 2016 and 2022, he was Vice-Director for the Owner Monitoring in the company's financial department. In 2015-2022, he was also Member of VIN's Supervisory Board. Mr Jankowski graduated with a Bachelor's degree in Molecular Genetics at the University of Toronto. He also completed a PhD in Biochemistry.

Piotr Kuchno (Head of the Supervisory Board): Mr Piotr Kuchno has been Member of Vindexus' Supervisory Board since 2006. Since 2011, he has also been Member of the Management Board of Mebis TFI S.A. Mr Kuchno graduated with a degree in Law from the University of Warsaw and in Finance & Banking from the Warsaw Business School.

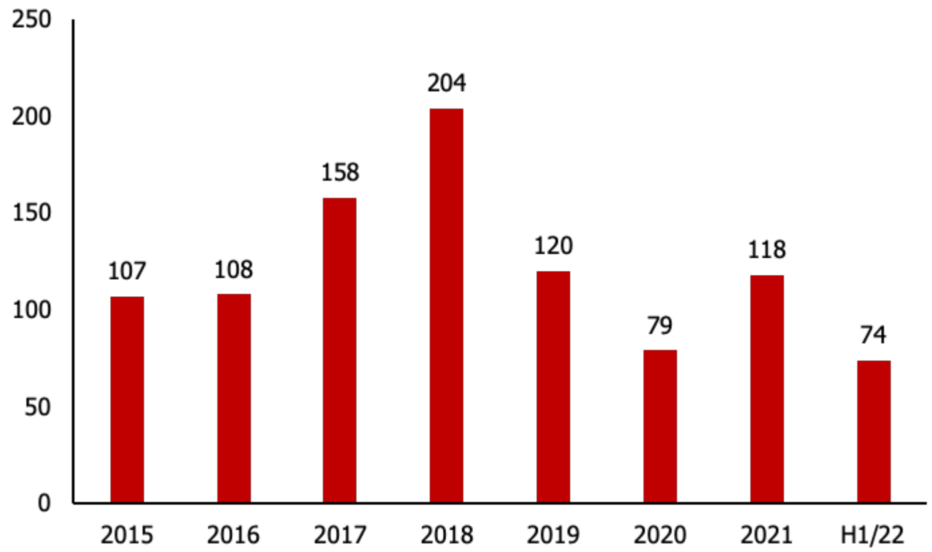
Julia Kuchno (Secretary of the Supervisory Board): Mrs Julia Kuchno graduated with a degree in Finance and Econometrics from the Warsaw Business School. Currently, she is studying for a PhD in Finance. She specializes in valuation of non-public assets.

Market environment

The European NPL market

According to Hoist Finance, in 2022 the primary European market for Non-Performing Loans (NPLs) was relatively subdued. The portfolios sold by the originating banks increased given the back-stop regulation and a deteriorating economic environment. In the secondary market, NPL portfolios that were held in particular in securitization schemes and by larger hedge fund investors grew both due to regulations increasing the transparency in the transactions and investors' need to repay their own investors. In the current macroeconomic environment, including higher funding costs and increased inflation, there are signs of specialisation among the debt management companies, who are moving towards debt collection or asset management.

Volume of the European NPL market in 2015-H1/22 (in EURbn)



Source: Deloitte, East Value Research GmbH

How debt supply and collection develop during the economic cycle

	Supply of NPLs	Debt collection
Strong economy	More lending Lower share of overdue loans	Lower unemplyment Higher payment discipline
Weak economy	Larger number and volumes of NPLs Regulatory requirements urge banks to sell NPLs	Lower payment discipline

Sources: Hoist Finance, East Value Research GmbH

The following two groups of potential acquirors are active in the NPL marker:

Traditional investors including private equity (PE) firms, hedge funds and credit funds

In many cases, these investors are focused on securing a return via a sale on the secondary market.

Specialist servicing firms:

With their expertise and experience in NPL management, the servicing companies are active participants in the primary NPL market, securing value by driving improved recoveries from loan books that they had acquired at substantial discounts.

Trends in the NPL market

Nowadays, the European NPL market is driven by the following trends:

Increasing regulations

It is expected that the regulatory framework for debt management companies in the EU will be updated with stricter requirements e.g. on the authorization process and disclosure requirements. The last update in 2019 introduced a minimum loss coverage for NPLs or prudential backstop, which requires a deduction from own funds for the NPLs following a predefined calendar. For the unsecured NPL, exposures should be fully deducted from the own funds after three years from default.

Growing specialization

In the current macroeconomic environment with high funding costs and inflation, there are signs of specialisation among the participants in the NPL market on either debt collection or asset management. Also, scale is getting increasingly important as managing NPL portfolios is capital and people intensive.

Intensifying competition

Although the NPL market is already highly competitive, new players continue to enter the market. They include servicers with expertise and experience built on supporting investors and large international servicing platforms, who can accelerate growth through acquisition of smaller players.

Growth in the secondary market

Two factors are driving it: 1. As funds seek to repay their own investors, they must either recover their NPLs or sell the assets. 2. EBA (European Banking Authority) proposals to standardise the requirements for the information that NPL sellers must provide to prospective buyers and thus enable cross-country comparisons.

Technological progress

Technological advances such as deeper analytics, AI and automation allow to perform debt collection at significantly lower costs, to better assess risk with more detailed client profiles, and to rapidly and efficiently recognize core patterns. Consequently, they significantly improve collection efforts.

Increased focus on consumer protection

The EU Directive on credit servicers and credit investors aims to safeguard borrowers' rights. The EU member states are supposed to implement the directive in their national legislation by end of 2023E. The national legislation will have to contain requirements to treat borrowers fairly by for example processes for complaints management.

The market for NPL in Poland

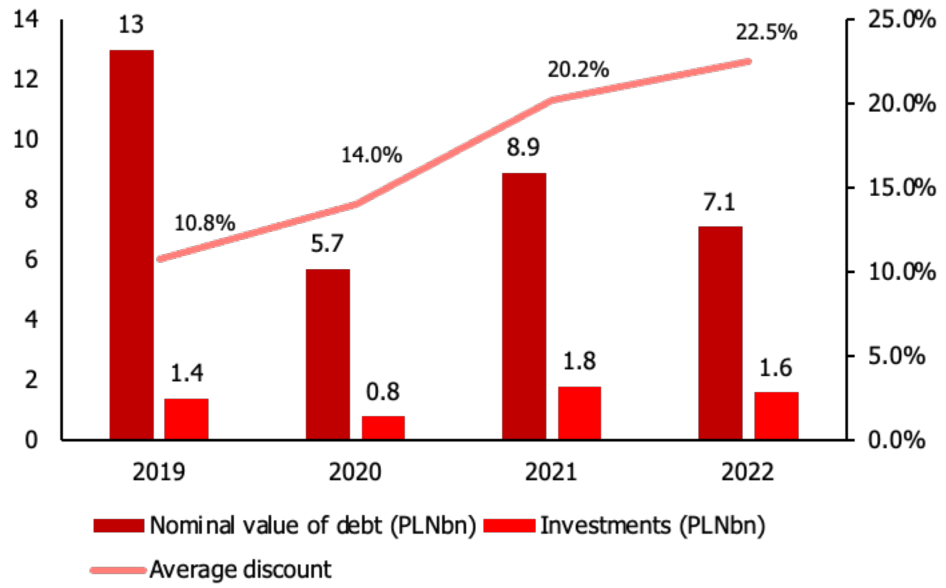
According to our discussions with Polish market players, the debt management market in Poland related to acquired debt portfolios is one of the most developed in Europe and is rather stable. The costs of capital and scale of business are the main success factors in the sector, especially considering stricter regulations designed to protect consumers from unprofessional providers. According to Vindexus, in Poland there are currently several hundred providers of debt management services, both specialized firms that can handle >1,000 cases simultaneously, and small law offices, for which debt management is only a side business. The main suppliers of debt portfolios are providers of mass services, especially banks and Telco companies.

However, the area associated with management of third-party portfolios e.g. of banks, which does not require investments, has a much higher growth potential as it is still relatively undeveloped, especially compared to countries such as Italy or Spain.

According to Polish market leader KRUK, which has a share of >25% in Poland, the value of debt at Polish banks that was not being repaid on a regular basis amounted to PLN 64bn at the end of 2022. In the previous year, it equalled PLN 69bn. In 2022, the value of non-regular guaranteed consumer debt declined by 6% y-o-y to PLN 27bn.

In 2022, the nominal value of consumer, mortgage and corporate debt that was offered equalled PLN 10.1bn. The discounts, which were paid by investors, ranged from 10.8% (corporate debt) to 22.5% (consumer & mortgage debt).

Nominal value of debt, investments and average discounts paid, 2019-2022



Source: Presentation of KRUK S.A., East Value Research GmbH

The payment practices in Poland remain strong as the unemployment rate has been very low for the last few years and is forecast to remain at around 3% in 2023E. Other factors, which have positively impacted consumption spending and affordability of debt are 1. Salary increases of >10% y-o-y in the last decade 2. The introduction of various social programs e.g. the 500+ child benefit since 2015.

Profit and loss statement

in PLNm	2020	2021	2022	2023E	2024E	2025E
Total revenues	**50.75**	**125.61**	**115.83**	**102.61**	**111.17**	**120.45**
Direct costs	0.00	-49.59	-63.88	-55.36	-59.87	-64.74
Gross profit	**50.75**	**76.02**	**51.95**	**47.25**	**51.31**	**55.71**
Other operating income	0.29	0.14	0.25	0.06	0.07	0.08
Administrative expenses	-33.58	-6.86	-8.24	-22.57	-24.24	-26.02
Other operating expenses	-0.45	-0.09	-0.76	-1.25	-1.85	-2.55
EBITDA	**17.02**	**69.21**	**43.21**	**23.49**	**25.29**	**27.22**
Depreciation & amortization	-0.68	-0.83	-0.57	-0.66	-0.72	-0.78
EBIT	**16.34**	**68.39**	**42.64**	**22.83**	**24.57**	**26.44**
Net financial results	-6.66	-6.20	-8.85	-8.00	-7.70	-7.40
EBT	**9.68**	**62.19**	**33.79**	**14.83**	**16.87**	**19.04**
Income taxes	-4.21	-26.23	-1.44	-0.07	-3.21	-3.62
Minority interests	0.08	0.04	-0.15	-0.04	-0.04	-0.04
Net income / loss	**5.55**	**36.00**	**32.20**	**14.72**	**13.62**	**15.38**
EPS	0.48	3.08	2.75	1.26	1.16	1.31
DPS	0.10	0.25	0.27	0.28	0.29	0.30
Share in total sales						
Total revenues	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Direct costs	0.00 %	-39.48 %	-55.15 %	-53.95 %	-53.85 %	-53.75 %
Gross profit	100.00 %	60.52 %	44.85 %	46.05 %	46.15 %	46.25 %
Other operating income	0.57 %	0.11 %	0.22 %	0.06 %	0.06 %	0.06 %
Administrative expenses	-66.16 %	-5.46 %	-7.11 %	-22.00 %	-21.80 %	-21.60 %
Other operating expenses	-0.88 %	-0.07 %	-0.65 %	-1.22 %	-1.67 %	-2.12 %
EBITDA	33.53 %	55.10 %	37.30 %	22.90 %	22.75 %	22.60 %
Depreciation & amortization	-1.34 %	-0.66 %	-0.49 %	-0.65 %	-0.65 %	-0.65 %
EBIT	32.18 %	54.44 %	36.81 %	22.25 %	22.10 %	21.95 %
Net financial results	-13.12 %	-4.93 %	-7.64 %	-7.80 %	-6.93 %	-6.14 %
EBT	19.07 %	49.51 %	29.17 %	14.45 %	15.17 %	15.81 %
Income taxes	-8.29 %	-20.88 %	-1.25 %	-0.07 %	-2.88 %	-3.00 %
Minority interests	0.17 %	0.03 %	-0.13 %	-0.04 %	-0.04 %	-0.03 %
Net income / loss	10.94 %	28.66 %	27.80 %	14.34 %	12.25 %	12.77 %

Balance sheet

in PLNm	2020	2021	2022	2023E	2024E	2025E
Cash and cash equivalents	30.79	61.37	42.23	53.43	36.27	17.02
Other financial assets	3.77	6.17	0.00	0.00	0.00	0.00
Inventories	10.96	14.73	3.37	3.94	4.43	4.97
Trade accounts and notes receivables	8.57	3.75	16.58	15.46	16.98	18.65
Purchased receivables at amortised costs	221.62	259.94	269.08	274.46	296.42	320.13
Other current assets	0.08	0.20	0.44	0.44	0.45	0.46
Assets-held-for-sales	0.00	0.00	0.31	0.32	0.32	0.33
Current assets	**275.79**	**346.16**	**332.00**	**348.05**	**354.87**	**361.56**
Property, plant and equipment	10.47	9.89	12.01	12.30	12.42	12.55
Other intangible assets	0.62	0.49	0.01	0.01	0.01	0.01
Goodwill	0.16	0.16	0.16	0.16	0.16	0.16
Investments at-equity	0.79	0.74	0.64	0.65	0.66	0.66
Other investments	1.47	1.45	1.71	2.80	2.83	2.86
Deferred tax assets	4.41	3.59	2.97	3.45	0.86	0.00
Non-current assets	**17.91**	**16.31**	**17.50**	**19.37**	**16.94**	**16.24**
Total assets	**293.70**	**362.48**	**349.49**	**367.42**	**371.80**	**377.79**
Trade payables	6.41	12.89	4.64	5.31	5.74	6.21
Short-term financial debt	34.16	22.44	30.71	29.71	28.71	27.71
Other liabilities	1.97	4.00	1.45	6.50	6.57	6.63
Provisions	0.86	0.71	0.78	0.78	0.85	0.92
Current liabilities	**43.41**	**40.04**	**37.57**	**42.30**	**41.86**	**41.47**
Long-term financial debt	54.64	70.41	38.00	39.50	34.50	29.50
Other long-term liabilities	0.02	0.02	0.02	0.02	0.02	0.02
Provisions	0.95	0.74	0.63	0.70	0.71	0.71
Deferred tax liabilities	3.04	24.87	18.05	18.03	17.42	16.74
Long-term liabilities	**58.65**	**96.04**	**56.69**	**58.25**	**52.65**	**46.97**
Total liabilities	**102.05**	**136.08**	**94.26**	**100.56**	**94.51**	**88.44**
Shareholders equity	**191.05**	**225.84**	**254.53**	**266.12**	**276.50**	**288.53**
Minority interests	0.60	0.56	0.71	0.75	0.79	0.83
Total liabilities and equity	**293.70**	**362.48**	**349.49**	**367.42**	**371.80**	**377.79**

Cash Flow Statement

in PLNm	2020	2021	2022	2023E	2024E	2025E
Net income / loss	5.55	36.00	32.20	14.72	13.62	15.38
Depreciation & amortization	0.68	0.83	0.57	0.66	0.72	0.78
Change of working capital	23.14	-30.58	-19.73	0.87	-23.48	-25.40
Others	10.53	30.48	0.50	0.58	-1.91	-0.10
Net operating cash flow	**39.91**	**36.73**	**13.54**	**16.82**	**-11.04**	**-9.33**
Cash flow from investing	**3.82**	**-2.67**	**3.28**	**-1.38**	**-0.14**	**-0.14**
Free cash flow	43.73	34.06	16.83	15.45	-11.19	-9.48
Cash flow from financing	**-19.91**	**-3.48**	**-35.97**	**-4.25**	**-5.98**	**-9.76**
Change of cash	23.82	30.58	-19.14	11.20	-17.16	-19.24
Cash at the beginning of the period	6.98	30.79	61.37	42.23	53.43	36.27
Cash at the end of the period	30.79	61.37	42.23	53.43	36.27	17.02

Financial ratios

Fiscal year	2020	2021	2022	2023E	2024E	2025E
Profitability and balance sheet quality						
Gross margin	100.00%	60.52%	44.85%	46.05%	46.15%	46.25%
EBITDA margin	33.53%	55.10%	37.30%	22.90%	22.75%	22.60%
EBIT margin	32.18%	54.44%	36.81%	22.25%	22.10%	21.95%
Net margin	10.94%	28.66%	27.80%	14.34%	12.25%	12.77%
Return on equity (ROE)	2.94%	17.27%	13.40%	5.65%	5.02%	5.44%
Return on assets (ROA)	4.16%	11.64%	11.74%	6.18%	5.74%	6.03%
Return on capital employed (ROCE)	3.69%	12.26%	13.08%	6.99%	6.03%	6.37%
Economic Value Added (in EURm)	-14.66	8.76	11.03	-8.32	-11.60	-10.69
Net debt (in EURm)	58.01	31.48	26.48	15.79	26.95	40.19
Net gearing	30.37%	13.94%	10.40%	5.93%	9.75%	13.93%
Equity ratio	65.05%	62.30%	72.83%	72.43%	74.37%	76.37%
Current ratio	6.35	8.65	8.84	8.23	8.48	8.72
Quick ratio	0.99	1.78	1.57	1.63	1.27	0.86
Net interest cover	2.45	11.03	4.82	2.85	3.19	3.57
Net debt/EBITDA	3.41	0.45	0.61	0.67	1.07	1.48
Tangible BVPS	16.50	19.31	21.73	22.73	23.62	24.65
Capex/Sales	5.27%	0.63%	-1.55%	-1.34%	-0.13%	-0.12%
Working capital/Sales	458.77%	208.37%	244.93%	275.62%	275.52%	275.37%
Cash Conversion Cycle (in days)	n.a	24	45	46	48	50
Trading multiples						
EV/Sales	2.14	0.87	0.94	1.06	0.98	0.90
EV/EBITDA	6.39	1.57	2.52	4.63	4.30	4.00
EV/EBIT	6.66	1.59	2.55	4.77	4.43	4.12
P/Tangible BVPS	0.5x	0.4x	0.4x	0.4x	0.3x	0.3x
P/E	17.0x	2.6x	3.0x	6.5x	7.0x	6.2x
P/FCF	2.2x	2.8x	5.7x	6.2x	-8.5x	-10.1x

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